World News Lithuanian delegation is ignored

by Moscow The Soviet Union refused to meet a Lithuanian delegation in Moscow as it continued the pressure of its energy blockade on the rebellious Baltic repub-

Professor Brunius Kuzmickas, deputy chairman of Lithuania's Supreme Council, and six colleagues had tried to con-tact Mr Vadim Bakatin, Soviet Interior Minister, and Mr Anatoly Lukyanov, Chairman of the Supreme Soviet, but said he could persuade no one in the Soviet Government to talkto him. Page 24

Sudan coup crushed Sudan's military leaders have crushed an attempt to over-throw their nine month rule. according to President Omar Hassan Ahmed el-Bashir, who said on state-run Radio Ómdurman that the Government was fully in control. Page 6

US 'gesture' urged Iran and its supporters in Lebanon called for a reciprocal gesture from the US for the freeing of an American hostage amid fresh talk of the immi-nent release of a second hostage. Page 6

Nepal protest

AND THE RESIDENCE OF THE PROPERTY OF THE PARTY OF THE PAR

Police opened fire on demonstrators as Kathmandu and other Nepalese towns were affected by unruly demonstrations just a few days after the first multi-party government in 30 years took office. At least seven people have been reported killed, Page 8

Shamir blocks Peres Leaders of Israel's Labour Party conceded that the month-long struggle by Mr Shimon Peres to form a government committed to peace talks with the Palestinians appeared doomed, Page 6

US agency head The Bush Administration has removed Mr Craig Fields, head of the Pentagon's Defence
Advanced Projects Agency
(Darpa) and a feating propenent of developing an industrial policy to meet the economic challenge of Japan and

Polish recovery soon Economic recovery in Poland should begin to appear in the second half of this year, Mr Leszek Balcarowicz, the country's Deputy Premier, told dele-gates to Solidarity's trade

union congress. Page 3 Romania trial appeal Four close associates of executed Romanian dictator Nicoae Ceausescu appealed against life sentences imposed for "co-authorship of genocide" in Romania's December revolution, Rompress news agency

Nigeria coup 'over' President Ibrahim Babangida's government has resumed full authority after Sunday's failed coup attempt. Lagos airport

is expected to be open for international flights soon. Page 6 Xiniiang open

China said the far western corner of Xinjiang bordering the Soviet Union had reopened to foreign tourists after what now appears to have been serious trouble. Rebels had report-edly formed Islamic death squads. Page 8.

Britain presses Nato Nato must redouble its efforts to secure a treaty this year on conventional force reductions in Europe after a recent "stiffening" of Soviet attitudes, Mr Douglas Hurd, British For-eign Secretary, sald. Page 2

Colombian rebels die Colombian army said its new-ly-created Mobile Brigade num-ber one, a 2,500-member rapid deployment force, had killed 16 leftist guerrillas in a week-end offensive and had captured seven rebels and seized arms, radios and ammunition.

Eurotunnel needs extra

£2.5bn to

cover costs Plans to raise as much as another £2.5bn (\$3.26bn) to

cover the increased cost of building the Channel immel were amounced by Eurotun-nel, the Anglo French Channel group. Page 24

SKILLAFIELD nuclear plant in north-west Britain has won a contract worth £225m (\$369m)to reprocess 450 tonnes of spent fuel from West Germany. Page 24

EXXON, world's largest oil company, has reported flat first-quarter profits, with higher oil earnings abroad off-setting lower US earnings and a worldwide decline in chemi-

FRAMATOME, France's leading nuclear plant builder, launched a counter-attack against attempts by CGE, the French telecommunications and engineering group which is its largest shareholder, take control. Page 28

HAMBRO Magan and the Blackstone Group, leading independent corporate advisers in the UK and US, have formed an alliance to work on trans-Atlantic mergers and acquisi-tions. Page 31

BURMESE military govern-ment has formed a joint ven-ture with the Daichi group of Japan, for five projects, includ-ing two airports. Page 4

AVON Products, world's biggest manufacturer of cosmetics and toiletries, reported a strong improvement in firstquarter earnings, to \$15.2m against \$6.2m for the same period last year. Page 27

SOLIDARITY'S Economic Fand, a company owned by the Polish trade union, has signed a letter of intent with Equitable Life Insurance, US life insurance company, for : a joint venture. Page 4

MARKETS: Concerns about rising interest rates kent pressure on the US equity market.

MWKICAN press will be free to import newsprint, after a decision to end the monopoly over distribution by the state owned Productora e Importa dora de Papel. Page 4

ECONOMIC reform in eastern Europe could add 10 per cent to world trade, according to American Express Bank.

SPANISH Government plans to introduce a new mergers law to discourage companies from merging simply to gener ate tax breaks on the cap gains that normally result from revaluing merging assets.

AERITALIA, Italian aerospace company, has won its first full contract from Airbus Industrie. the European four-nation man-ulacturer. Page 4

VISA International, associa-tion of banks issuing Visa credit cards, is to launch a business card for the first time in its Europe, Middle East, and Africa regions. Page 4

GRAND Metropolitan and Courage, UK brewery groups, have amended their breweries for-pubs swap in an effort to get the deal cleared by British and European Community reg-

EUROBOND market enjoyed rare profitability, with two issues performing well amid widespread demand. Page 31

LIKELIHOOD of the European Development being set up in London under a French direc tor strengthened after a meeting of European Community finance ministers in Luxembourg. Page 2

RENOWN Incorporated, Japan's higgest clothing group, made a recommended cash offer for Aquascutum Group which valued the British classic clothing company at £73.8m (\$120m.) Page 25

Bonn offers E Germans parity in currency rates

THE WEST GERMAN bonds shed up to 70 pfennigs.
Government yesterday Mr Dieter Vogel, a Bonn Government spokesman, said fering East Germans a more offering East Germans a more favourable conversion rate for currency union than the cen-tral bank had recommended.

Bonn amounced that wages, pensions and a large propor-tion of savings will be con-verted on the basis of one East German Mark for one D-Mark in a move designed to soothe recent East German anger over suggestions of a less generous conversion rate.

The news, however, prompted sharp falls in Ger-man equity and bond prices. Recent Bundesbank warnings that a one-for-one conver-sion rate might force it to step sharply on the monetary brakes were partly behind a sharp fall of about 2.5 per cent on the Frankfurt stock market. Dealers said, however, that the market's fall owed more to an absence of buying than a wave of selling. Government

MORE than six hours after the

Bonn Government's long-awatted decision on how East German wages, pensions and savings will be converted into

D-Marks under monetary union, Dr Walter Romberg, the

East German Finance Minis-

ter, had still not been informed by the West Ger-mans, writes Leslie Coliti in

Rast Berlin.
"I cannot really say much as

I have only seen the agency reports," he remarked apologetically. His state of imperfect knowledge was telling of the relationship between West Germany and East Germany on the road to unification.

By Anthony McDermott in London

Norwegian petroleum group, yesterday signed a contract with the Soviet Union to lead

the team planning the develop-

ment of the world's largest nat-ural gas field in the Soviet sec-

The Norwegian group may also take a share in the field,

which could come on stream in

the year 2000. Yesterday, Mr Hans Kraft

cial, said: "We hope to become part-owners in the field so that

we can become partners in its

en, a Norsk Hydro offi-

tor of the Barents Sea.

NORSK HYDRO, the development." He said it was

convert savings of up to 4,000
East Marks into D-Marks on a
one-for-one basis – twice the
sum recommended by the
Bundesbank. Savings above
this level would be convertible at two-for-one.

Wages and pensions would also be converted at a one-for-one rate. There would, however, be no compensation for the removal of the current range of East German subsidies on rents and goods, although the timing for their removal has yet to be clarified.

For the average East German, the proposals would mean an immediate and substantial upvaluation of their pay and savings - enabling them to buy West German consumer goods, although at West German prices.

In recommending a two-for-one exchange rate, however, for the economic and social sit-uation in both Germanys and

disagreement with Bonn's

decision to convert only savings up to 4,000 East Ger-man Marks at the rate of one to one and amounts exceeding this at two to one. He said that

this would hit retired East

Germans particularly hard and was unacceptable.

depend on their savings. They must get another ruling," he

Dr Romberg, the leading Social Democratic figure in the

the first-time western compa-nies had been allowed such participation in a Soviet field.

Mr Kraft Johanssen said var-ious development proposals

would be prepared this year, and in 1991 the development

plan and timing of the project would be decided.

Norsk Hydro, DuPont Services of Holland, and the Finnish companies Wärtsilä, Ima-

tran Voima and Neste will all

participate in a study for devel-oping the gas field, according to a report by NTB, the Norwe-

"The elderly in this country

wages and pensions could then
be increased separately.

In a step evidently aimed at
staving off a collapse of the
East German economy, Bonn
also agreed that corporate debt
to the former state banking monopoly, some 260bn Marks, should be converted at two-

Economists and industrialists have repeatedly pointed out that a one-for-one conver-sion would put an intolerable load on East German industry's shaky finances and weak

The statement from Bonn said the coalition was determined to bring in currency and economic union with East Germany by July.
It said the West German

offer took account of the Bonn Government's responsibility

the latter could no longer sup-

expressed displeasure with Chancellor Helmut Kohl's "full

steam ahead" approach to ach-

ieving economic unity by July 1, which he called "problem-atic". He also called the pros-

pect of political unification next year potentially de-stabi-

Dr Romberg noted that sud-denly exposing highly subsi-dised East German industry to

believed to be four times larger

than Norway's Troll natural gas field in the North Sea.

reserves of 1,288bn cubic

meters of natural gas, plus oil, was considered the world's largest offshore gas field until the Soviet field – named

Stockmanovaskoje - was dis-

covered in 1988.

If the feasibility study of the

field strengthens the estimates of the viability of Soviet off-shore gas fields, this could lead

Troll.

with recoverable

The Finance Minister also

port itself.

conservative-dominated governing coalition, warned that the full force of western competition — as some West Germany would in the end have to pay for the high produce seven-figure unem-

Norsk Hydro signs gas deal with Soviets

that this would not meen that incomes would be halved, since

for the stability of the D-Mark.

Reaction from the East German Government to the proposed conversion rate was mired Mr Mathias Gehler, the Government spokesman, said the conditions for monetary union conformed with propos-als last week from Mr Lothar de Maiziere, the Prime Minister, in his programme. He added that the 4,000

Marks ceiling on savings qualifying for the one-to-one conver-sion rate could be accepted as a basis for negotiations on monetary union. Mr de Mai-ziere is to hold talks today in Bonn with Chancellor Helmut Kohl of West Germany.

Chancellor Kohl's offer of currency union, made in Feb-ruary, was intended to stem the steady flow of refugees across the border into the west. This has slowed considerably in the past few weeks. Other reports, Page 2; Editorial comment, Page 22; Curren-

Fear of steamroller effect persists

social costs of East Germany if ployment. It was already clear the latter could no longer supthat living standards would fall in the short term. East Germany, he said, was being flooded with West Ger-man products, threatening

> Dr Romberg disclosed that artificially low prices for food, services, transport and hous-ing would be the first to be raised after monetary union in July. Rents, however, would continue to be subsidised to a considerable degree. He placed the current deficit

in the East German budget at about 20hn Marks, which he said was not high by western

and the Soviet Union.

m the lo

However, the future price of natural gas will play a central

of the project. The field's devel

opment will also depend on whether sufficient markets

Environmental concerns

may also affect the project's

The field is likely to supply military installations and

towns on the strategic Kola

gian news agency. The arctic to further joint ventures field, 600km from land, is between western companies

Chinese Premier may sign trade pact in Moscow

Chinese Premier Li Peng (right) is met by his Soviet counterpart Nikolai Ryzhkov at Moscow airport yesterday

By John Lloyd in Moscow and Colina MacDougall in London

LI PENG, China's Prime Minister, arrived in Moscow yesterday for a three-day visit reciprocating the trip by Soviet President Mikhail Gorbachev

in May last year which ended 30 years of Sino-Soviet freeze. The Chinese Premier – who was met by Mr Nikolai Ryzh-kov, the Soviet Prime Minister, and Mr Eduard Shevardnadze. Foreign Minister - is expected to have talks with President Gorbachev and other Soviet

On his arrival, Li said: "We are confident that improvement of Sino-Soviet relations not only meets the basic interests of the people of both countries but also promotes the cause of peace and development in Asia and throughout the whole world."

The visit should clear the way for agreement on troop cuts along the 7,500km border between the two countries, the scene of clashes in the 1960s and 1970s

A trade agreement, calling for the substitution of cash for harter exchanges, is also expec-

Li's visit marks the decision taken by Peking and Moscow to pursue pragmatic relations despite a sharpening of ideological differences over the past year as the Soviet Union struggles to reform and China

to tighten up in the wake of the Tiananmen Square massacre in June last year.

Mr Gorbachev's visit to Peking became a focus for prodemocracy protesters seeking a form of glasnost in China.

The presence of hunger-strikers and demonstrators in Tian-

anmen Square forced the can-cellation of all official ceremonies scheduled for the square and humiliated the Chinese leadership.
Li helped to mastermind the

suppression of demonstrating students and is unlikely to be personally welcome since Mr Gorbachev made an appeal during his Peking visit for a political solution to the crisis. Li's visit to the Soviet Union

is an indication of the efforts being made by the Chinese regime to emerge from diplo-matic isolation after the clampdown on the students which resulted in western Europe, Japan and the US mainly boycotting high-level exchanges.

The trade agreement is

expected to put flesh on proposals to increase economic and technical co-operation, especially in power engines ing, metallurgy, transport and consumer goods production. Sino-Soviet trade reached a level of Rbs 2.4bn last year. China reopens border area,

Hoylake consortium abandons £13bn bid for BAT Industries

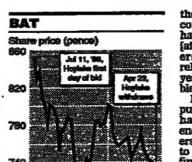
By Andrew Hill and Clay Harris in London

James Goldsmith's Hoylake consortium yesterday abandoned its attempt to take over BAT Industries, but claimed victory in the "intel-lectual battle" for the future of the UK tobacco-based conglom-

Hoylake ended the struggle, launched last July as the larg-est bid in British corporate his-tory, with a 27-word statement, ed after the London stock market had closed. It read: "Hoylake announces

that it will not renew its offer-for BAT. The directors of Hoy-lake wish BAT and its unbun-dled offspring great success within their new structures." Sir James, who is in the Far Bast, was not available to comment on the statement, but Hoylake later added: "We have won the intellectual battle, but lost the commercial war."

The Anglo-French financier launched the audacious and complex £13.5bn (\$22bn) offer last July with Mr Jacob Rothsthe Australian businessman Mr Kerry Packer. In the attempt, the trio added the



700 Jul 1989 concept of "unbundling" "liberating" parts of a conglomerate to benefit shareholders - to the financial vocabu-

Hoylake claimed a moral victory because BAT, under fire, was moving to realise value for shareholders by selling and demerging peripheral busi-nesses. Mr Patrick Sheehy, BAT's chairman, yesterday did not deny this.
"The value was always there," Mr Sheeby said. "We could have got it - it might have taken a bit longer. But (after Hoylake's bid) shareholders said they wanted it released, not in three or five years, but as quickly as possi-

Mr Sheehy said BAT would pursue the path for which it had received a "ringing endorsement" from shareholders. The company's strategy is to concentrate on tobacco and financial services.

Argos, the UK catalogue retailer, was demerged earlier this month and the similar flotation of Wiggins Teape Apple-ton, its worldwide paper busi-ness, is scheduled for June 1. BAT shareholders are receivg shares in both companies. BAT is selling its US stores chains outright. Chicago-based Marshall Field has been sold for \$1bn; bids for Saks Fifth Avenue close this week. The bid also prompted a hefty increase in dividend and a share buy-back scheme, both Continued on Page 24 Lex, Page 34; Background, Page 25

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Spring thaw in prospect for US-Iran relations In the minds of west-



em officials in Damascus there is no doubt that Iran's President Ali Akbar Hashemi Rafsaniani has made an emphatic gesture towards the west in general and the US in particular.

-London 43 MARKETS STERLING New York close \$1.6355 (1.638) \$1.6365 (1.6355) DM2.7775 (2.7625) FF:9.32 (9.2725) Y258.0 (258.0)

New York: Comex Jun \$381.8 London: \$376.0 (375.25) M SEA Off. (Argus) Brent 15-day Jun \$17.775 (17.125)

Chief price changes yeslerday: Page 25

FFr6.685 (5.67) SFr1.493 (1.491) Y157.65 (157.8) \$ Index 68.5 (68.3) Tokyo close: 157.55 US lunchtime rates Fod Funds rates yield: 7.988% Long Bond: 95¹4 yield: 8.951%

DOLLAR

New York close DM1.6967 (1.688)

FFr5.700 (5.689)

Y157.54 (157.5)

DM1.697 (1.6885)

Tokyo: Nikkei 29,679.07 (-158.37) Liffe long gift fight June 79 4 (791s)

S&P Comp

331.23 (-4.89)

TONDON MONEA closing 15& (15%)

STOCK INDICES

2,159.2 (-27.9) FT Ordinary:

1,692.7 (-19,9)

1,074.1 (-1.1%)

New York close

2,666.67 (-29.28)

Brussels to

unveil plan

on investment

THE EC tomorrow unveils its

long-awaited proposal on the

capital backing of investment firms, after one of the most protracted drafting sagas in

recent Brussels history.

The final text, reached after six attempts and 18 months of negotiation with member

states, is meant to bridge the gulf between widely-differing UK and West German traditions, and advance the single European market in financial

It has been the subject of flerce lobbying by representa-tives of firms in the City.

EC officials believe they

have found a formula to satisfy both sides, but know the issue will be fiercely debated in the Council of Ministers.

The new draft directive will

be discussed for the first time in June Progress is hoped for, simultaneous with a separate

The state of the s

 $\frac{1}{16\pi^2 C^2} = 1.44 - 24$

mean Di

firm backing

By Tim Dickson in

Brussels

EUROPEAN NEWS

London moves up in race to host E Europe bank

By David Buchan in Luxembourg

THE likelihood of the pitched strongly for the bank to come to London, putting out tion and Development being a three-language brochure set up in London under a French director strengthened yesterday after a meeting of European Community finance ministers in Luxembourg. Soundings taken by the Irish

presidency of the EC revealed that, in the opinion of most member states expressing a clear view, only London and Paris were in the running as the site for the bank, which the site for the bank, which some 42 western and eastern countries are to set up to help rebuild the post-communist economies of Eastern Europe.

Mr Pierre Berégovoy, French finance ministry, disclosed that, given a choice, his country would prefer to field the bank's chief executive rather

bank's chief executive rather than host the institution. This leaves Mr Jacques Attali, President François Mit-terand's economic adviser, strongly placed in his contest with Mr Onno Ruding, the for-mer Dutch Finance Minister,

for the job.

The UK government has

vaunting the financial logic of it being in or near the City of

Yesterday, Mr John Major, UK Chancellor of the Exche-quer, merely reminded his EC partners that the 30 non-EC countries involved in the bank looked to the Twelve to set a

Other key issues, including capitalising the bank at Ecus 10bn and the extent of lending-powers to the Soviet Union, have been or are near being finalised, EC officials say.

finalised, EC officials say.

Final EC decision on the bank's site and president could come at next Saturday's EC summit in Dublin. The Community's views are unlikely to be resisted by those outside Europe, though the US has made known its clear preference for a known monetary conservative like Mr Ruding, one-time chairman of the International Monetary Fund national Monetary Fund

Bill to lift Soviet tax thresholds moves ahead

By John Lloyd in Moscow

A BILL designed to lift the tax thresholds for the low-paid and help lay the foundations of a "regulated market" was passed by the Council of Nationalities, one of the two houses of the Supreme Soviet, yesterday. It raises the minimum wage

exempt from tax to Roubles 100 (£100) a month from Rbs70, reduces the amount paid on incomes of up to Rbs150, and leaves unchanged the rates on salaries of between Rbs150 and

Rbs700. The official Soviet poverty level is defined as a wage Rbs75 a month, with the aver-age wage Rs220-Rbs230 a month. Taxes will rise sharply on incomes above Rbs1,500, and reach 60 per cent on incomes of Rs 3,000 and over. (Mr Nikolai Ryzhkov, the Prime Minister, has an official salary of Rbs1.400).

breaks to some privileged pro-fessions, but will give a two-year tax holiday to families setsing up their own farm.
Smaller taxes will be levied on families with three or more

children, and on authors' fees. A separate bill abolishes the tax on unmarried men and childless families.
The Supreme Soviet is con-

sidering two variants of company tax: one, from the Government, proposes a company tax rate of 55 per cent; the

tax rate of 55 per cent; the other, from Deputy Viktor Yaroshenko, a 35 per cent rate. The tax inspectorate is being expanded from 40,000 to 100,000. Mr Vladimir Panskov, First Deputy Finance Minister, said a new tax law will lay out fines for evasion, and prepare ground for all citizens to make individual tax returns.

Bundesbank shrugs off monetary union terms

By David Marsh and Andrew Fisher in Frankfurt

West German Bundesbank's president, Mr Karl Otto Põhl, well under-stands that the central bank's much-vaunted independence has clear limits. After the Bonn Government's decision in favour of a general 1 for 1 exchange rate for the D-Mark against the East German Mark, in contrast to the 2 for 1 conversion suggested by the cen-tral bank, the limits of that

independence now seem publicly evident.
In fact, the economic fundamentals behind yesterday's offer by Bonn are more in line with the Bundesbank's recommendation than appears at

first sight. The Bundesbank may have lost out psychologically in the battle of words over the terms of monetary union. But — assuming the Government's conversion suggestion is accepted by East Berlin - the central bank does not seem to have suffered undue damage in its anti-inflation strategy. In the words of one Bundesbank official yesterday, "This is not

a catastrophe."
Mr Pöhl was wrong-footed from the beginning by Chan-cellor Helmut Kohl's surprise announcement in February that he was seeking immediate talks on monetary union.

Relations between Frankfurt and Bonn have not been helped by several recent warnings from Mr Helmut Schlesinger, the Bundesbank vice president, that a 1 for 1 conversion rate would cause the central bank to "step hard on the monetary

Mr Schlesinger warned at the weekend of a "wage-price spiral" in case of a 1 for 1 con-

TIETMEYER HOLDS THE RING BETWEEN BONN AND FRANKFURT

MR HANS TIETMEYER, the 58-year-old Bundesbank direc-tor in charge of international relations, has emerged as the éminence grise behind the preparations for German mon-etary union. He is also a key figure in the conflict of person alities which has emerged between the Government and the Bundesbank, writes David

A member of Chancellor Helmut Kohl's Christian Dem-ocrats, Mr Tietmeyer (pictured right) held the powerful job of State Secretary in the Bonn Finance Ministry from 1982 before moving to the Bundes-bank at the end of last year. Mr Kohl chose him at the end of last month to act as his

personal adviser on forging monetary links with Rast Germany. Mr Tletmeyer, a dour Westphalian, has a formidable reputation as a negotiator and

version - a statement which must have added to litters on the German bond markets yesterday. But the three main strands to yesterday's decision may be less distasteful to the Bundesbank than Mr Schesin-ger has been suggesting. East German savings will be converted at a rate of 1 for 1 up to 4,000 East Marks, and 2 for 1 thereafter. In view of East German cash and savings of 170bn-180bn East Marks, this

will mean that a sum of East German savings of around DM120bn will be added to potential West German liquidity, amounting to roughly 10 per cent of the West German

is also well known among colleagues as a workaholic. He has recently visited Mr Lothar de Maizière, the East German Prime Minister, to explain Mr Kohl's thinking behind the monetary conver-

sion plan.
"I wouldn't like to have him as an enemy," is one comment from a Bonn government offi-cial who once worked along-side him. It is no secret that Mr Karl Otto Pöhl, the Bund-esbank president and a mem-ber of the Social Democrats, regards Mr Tjetmeyer as some-thing of a rival. thing of a rival.

Mr Tletmeyer, like his for-

mer boss, Mr Theo Walgel, the Finance Minister, has become a fervent proponent of German unification. At the end of last year, he took the western allies to task for failing to give Bonn enough support in the matter — something the

money supply.

Under the Bundesbank's previous suggestion of 1 for 1 up to 2,000 East Marks, the addition to the money supply would have been only DM100bn - hardly a significant difference in view of the size of the West German economy of

more than DM2,600bn.

• Wages and pensions will be converted at 1 for 1 rather than the 2 for 1 suggested by the Bundesbank. However, the Government made clear yesterday that wages would be held at their present East Mark levels before the conversion, rather than being increased first by roughly 30 per cent which will cost the public sector at the public sector at

under the old suggestion.

• Corporate debts to the previously state-owned banking sector — 260hn East Marks — will be converted into D-Marks at 2 for 1. To make up for the banks' shortfall in assets, the new united German government will have to issue and pay interest on "compensation bonds" to the banking sector, which will cost the public sec-

laconic Mr Pobl would never

Even though Mr Pohl and Mr Kohl have gone out of their way, in public, to praise each other in recent weeks, rela-

tions between the two have

been under strain sporadi-cally. Mr Kohl has resented occasional assertions by Mr

Pohl that the Chancellor is an

economic summits.

He predicted at the end of

economic lightweight.

have done.

mist at the BHF-Bank in Frankfurt put it yesterday. "The big question is how East Germans will behave — what they will do with their newly converted savings — whether they go on a spending spree, or keep them in the bank."

The Government's suggestion vesterday was an attempt.

tor extra interest of perhaps as much as DMSon a year. Everything will now depend on whether East German wage levels are adjusted flexibly in East Germans, and the compet-tive and financial situation of East German industry." Mr Remsperger said. "Only a magician could satisfy all these conflicting requirements."

D-Mark east of the Kibe. After

economic lightweight.

During his years as secondin-command at the Finance
Ministry, Mr Tletmeyer was
responsible for everything
from Bonn's privatisation policies to preparing West Germany's position at the annual
economic sommits. the Bundesbank's psychologi-cal setback over the I for I conversion plan, Mr Tletmeyer could find that his influence as Mr Kohl's man at the Bundes-bank may now increase furlast year that his move to the last year that his move to the Bundeshank would allow him to throttle back on his heavy work load. Instead, he has found himself at the centre of the thrust to introduce the

mist at the BHF-Bank in

tion yesterday was an attempt to "square the circle between the Bundesbank's pure anti-in-flation preoccupations and the political and social needs of

simultaneous with a separate investment services directive during Italy's EC Presidency in the second half of this year. A wide range of dealers, bro-kers, stockbrokers and investkers, stockbrokers and invest-ment managers will be covered by the new rules, which Brus-sels says are needed to provide a level playing field and com-plete the framework provided for banks by the EC's new sol-

vency ratios.

Member-state supervisors will be able to exempt banks trading departments from qual-ifying under these stricter sol-vency ratios and subject them to the more flexible capital adequacy requirements.
While this will require them

to have less capital, they may have to show greater liquidity.

On the initial capital required for investment firms, the directive fixes three tiers. Ecu500,000, Ecu100,000, and Ecu50,000. Firms not holding customers' money or acting as market makers will qualify for the Ecu50,000 band.

Correction **Oueen Fabiola**

An article in the Financial Times of April 5 1990 referred to Fabiola, the wife of King Bandouin, the Belgian mon-arch, as Italian. She was, in fact, born in Spain.

Britain presses Nato on European force reductions

NATO MUST redouble its efforts to secure a treaty this year on conventional force year on conventional force reductions in Europe in the face of a recent "stiffening" of Soviet attitudes, Mr Douglas Hurd, the British Foreign Secretary, said here yesterday.

After a meeting of foreign and defence ministers from the nine countries of the Western European Union, Mr Hurd warned that progress in the

warned that progress in the Vienna talks had slowed and that it was "no longer so over-whelmingly probable" that a

treaty between the 23 Warsaw Pact and Nato nations could be concluded in the autumn.

But he said Nato partners had to "harvest" the gains made in the talks so far. They could then tackle "imaginative decisions" about follow-up talks. The ministers yesterday discussed possible inter-Euro pean co-operation on means of verifying arms control agree-

Mr Hurd welcomed the agreement to hold a first ministerial session of the "two plus

four, talks on the future of Germany, between the two German governments and the four wartime allies, at the end of next week. "It is good news that the show is on the road,"

He added, however, that questions such as the future size of German armed forces would need to be discussed in a wider forum.

The WEU ministers skirted around a disagreement on the role of nuclear erms in Europe.

A communique reaffirmed the proper forum for this.

organisation's so-called Hagne platform of 1987 but without specific reference to the platform's clear commitment to

nuclear weapons.

The concept of multinational forces in the place of troops now stationed by different countries in West Germany was discussed, but without conclusions, and Britain and other members insisted that the US should be brought into

The ministers underlined in their communique the need for a continued US and Canadian military presence in Europe.

Foreign ministers from the two Germanys and the four-World War Two allies will meet in Bonn on May 5 to discuss the appropriate agree the agree cuss the security aspects of German unification, the West German Foreign Ministry said yesterday, Beater reports from

The ministers underlined in

Bonn.
A spokesman said the talks, would go shead now Moscow had agreed to the date.

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Eta declares 'war'

on Seville world fair

EUROPEAN NEWS

Credit crunch seen as threat to global growth

By Andrew Marshall, Economics Staff

A WORLD credit crunch is threatening to slow economic growth, a leading forecasting group warned yesterday.

srussels to

aveil plan

in backing

The state of the s

reaction to news of a one-to-one exchange rate for East German wages, pensions, and some savings into German unification was picked out by the WEFA group, a leading international economic forecaster, as one

reason for rising interest rates

"The OECD countries are in group warned yesterday.

The warning came as West
German bond yields rose in
reaction to news of a one-to-one exchange rate for monetary stance," according to the WEFA group. "While the risks of a full-blown world D-Marks," according to the west of a full-blown world beginning or are still small they recession are still small, they

have risen recently."

The Bundesbank has warned that it could be forced to tighten monetary policy if the

wrong monetary union exchange rate is set.
Interest rates have also been forced up by fears about the rising inflation in the US.
Japan and Britain. This has
taken place "against a backdrop of a surprising lack of any obvious co-ordination among the monetary authorities of the Group of Seven countries," which met last month but failed to reach any substantive

yields rising in most markets. Rising bond yields in the US last week helped to upset the stock market, which lost 2 per cent of its value. These were caused by poor figures for monthly inflation and fears that Japanese investors were retreating from the US bond

Aside from German unification, WEFA picks out four financial uncertainties: agreement.

Bonds have been falling, and

• the impact of the deflation existing of the Japanese stock market savings.

• the possibility of a credit squeeze resulting from the new capital requirements for banks and savings and loan institu-

tions; the risk that foreign lenders wil reject US capital markets as a result of creditworthiness

• the extent to which the growing need for capital from eastern Europe competes with existing drains on world

Recovery forecast for Poland

ity of factory managements to reduce costs and to learn how

to market their goods.

By Christopher Bobinski in Gdansk

SIGNS OF economic recovery in Poland should begin to appear in the second half of this year, Mr Leszek Balcerowicz, the country's Deputy Premier told delegates to Solidarity's trade union congress here westerday.

ate with the Government "in realising the difficult programme of building a market economy."

He spoke as the congress completed elections to the 96-member national executive after re-electing Mr Lech Wal-

yesterday. He was defending the Government's austerity programme, approved by the international Monetary Fund (IMF), which has brought monthly inflation rates down to single figures at the cost of a 30 per cent drop in industrial soles and a gramming threat of sales and a growing threat of

THE BASQUE terrorist organisation Eta has begun a desperate campaign to demonstrate its ability to strike at the hated Spanish state, writes the hated Spanish state, writes the Basque country and Navarra.

After publising its threat to attack the Expo in a sympathetic newspaper on Sunday, it can be assumed that Eta regards all events in Spain in regards all events in Spain in 1992, including the Barcelona Olympic Games, as targets.

But Etathough a seasoned sender of exploding letters, has been forced exclusively into this lower level of terrorism for the time being by the discovery and rout, in just a few days at the start of this Mr Balcerowicz, who spent an hour responding to dele-gates' questions, appealed to the 2m-strong union to co-oper-

Jan Rulewski, the Solidarity leader in Bydgoszcz, a medium sized industrial centre, charged had "completely paralysed the He spoke as the congress completed elections to the 96-member national executive after re-electing Mr Lech Waleconomy."

Mr Rulewski said he knew of

no factory in his region which had been able to adapt to the esa by an overwhelming major-ity as the movement's chair-man at the weekend. economic conditions created by the Government's policies, and he appealed for "a life-belt" for Mr Balcerowicz said that, with inflation falling and the economy free of the wide-spread shortages of the past, recovery depended on the abilfarmers who were facing bankruptcy. Other delegates also ques

tioned the Government's social and economic policies but the end of the session brought applause for Mr Balcerowicz's performance suggesting the However, he made no concessions on easing the rigours of the programme which Mr Government's programme.



Mr Milan Kucan (above), the Communist reformer and first freely elected president of the Yugoslavian republic of Slovenia, has turned in his party card for the four years he will be in office as a goodwill gesture toward his opponents, AP-DJ reports from Ljubljana. It was his first action after his victory became clear in Sunday's election, with partial returns giving him more than 58 per cent of votes. "I want to be the president of all...citizens of Slovenia," said Mr Kucan, who is 49 and the son of a Protestant pastor.

Meanwhile, a nationalist party took a big lead over the ruling

reform Communists in parliamentary elections in Croatia, according to unofficial partial results yesterday. The strongly separatist Croatian Democratic Union, led in 61 of the 105 areas where almost a fifth of the ballots had been counted from

Hurd prods Nato on troops pact

By David White in Brussels

NATO MUST redouble its efforts to secure a treaty this year on conventional force reductions in Europe in the face of a recent "stiffening" of Soviet attitudes, Mr Douglas Hurd, the British Foreign Secretary, said yesterday.

After a meeting in Brussels of foreign and defence minis-ters from the nine Western European Union countries, he warned that progress in the Vienna talks had slowed and that it was "no longer so overwhelmingly probable" that a treaty between the Warsaw Peets and Nets could be con-

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Mr Hurd welcomed the agreement to hold a first min-isterial session of the "two plus four" talks on the future of

Germany, between the two German governments and the four wartime allies, on May 5. "It is good news that show is on the road," he said. But ques-tions such as the size of Ger-man forces would need to be discussed in a wider forum.

tionary in the city last week. Yesterday, another letter bomb, almost certainly the work of Eta, blew off the fingers of a prison official in Madrid, Earlier this month, Eta terrorists tried unsuccess-Spanish town fights over its dying palms

By Peter Bruce in Eiche

THE best way to kill a palm tree, they say in Elche, is to climb to the top and pour heavy fuel oil on the crown, where the youngest leaves sprout. This leaves no marks and the tree keeps quiet as it chokes to death. The locals know about

The locals know about palms. A bustling footwear centre near Alicante on Spain's Costa Brava, Elche is also Europe's biggest palm grove.

The trees, though, are now either dying themselves, being killed or illegally uprocted as a low-level guerrilla war rages between a council determined to preserve them and local to preserve them and local farmers and cultivators demanding the right to sell the trees or to get rid of them alto-



Spain

The tall, restful, palms have been the focus of attention in Elche ever since the Phoenicians, who came here more than 2,000 years ago, found the dates they had brought with them as animal feed were also

sprouting near-perfect trees. By the 13th century, date palms were so thick around the city they even held up the Christian re-conquest of Spain. A century ago there where still ore than a million date palms in Elche.

But it was early in this cen-tury that the seeds of the Elche date palms' destruction were sown. The trees, once useful for what they produced, became desirable as orna-

The palms that line the streets of Cannes and Nice come from Elche. By the 1960s, Elche's palms were in great demand at new property developments, hotels or corporate headquarters in Spain.

But the market was for "instant palms" – big, mature, trees – and householders and rmers in Elche were only too

Today a large date palm (Phoenix dactylifera) would cost about \$1,500, which partly explains why there are only 200,000 (plus about 100,000 recently planted trees) left in Elche. "It is easy money," says

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 5000 Frankfurtam-Main i: Tciophone 069-7590; Fax 669-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, Loadon Printer Frankfurter Societaets-Druekerei-GmbH, Frankfurt/Main. Rasponaible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SEI 9HI.

1.11

London SEI 9HL.

The Figancial Times Ltd, 1990.
FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates \$365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia).Ostergade 44, DK-1100 Copenhagen-K., Denmark, Telephone (33) 13 44 41.
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the mayor, Mr Manuel Rodri-guez. Or rather, it was easy

few days at the start of this month, of probably its most effective commando.

in 1986 a Palm Trust was set up by the regional government. Headed by the mayor it has strictly forbidden the uprooting and sale of any mature date palm even, as most of the trees are, from private prop-

erty.

It is able to fine offenders and confiscate trees. Police mount special palm patrols at night and the trust has even recruited conscientious objec

recruited conscientious objectors, obliged to perform civic duties in place of military service, as vigilantes.

But if the money is not easy any more, it is still attractive.

Ms. Maria Rosa Verdu, a city councillor and member of the trust easy 10.00 mature trees. trust, says 10,000 mature trees were smuggled out of Elche

The trust has begun about 40 court actions against local farmers and palm cultivators, one of whom, Mr Ambrosio theft of trees it claims he had illegally uprooted and was trying to smuggle out of Elche on a truck. "What they are doing is unconstitutional," he said. The cultivators (nurser) owners) complain that by pre-venting the sale of palm trees the council is sentencing the grove to death. If they cannot be sold, why have them? There is no more money in basket: and the dates are now good only for animal feed.

Many people, said Mr Agullo, have either poisoned or burned the paims on their land, and buried them to make way for other crops. "There are probable more nalves water the bly more palms under the ground than on top of it today," he said.

The cultivators have a point. The Eiche date palms remain free of the "yellow palm" fungus that has ruined the Moroccan and Algerian groves, and new export markets for palms like Florida and Saudi Arabia

are beginning to emerge.

But while it takes just one dark night to dig up a tree, it takes between seven and 10 years for a new palm to grow just one metre of trunk and the mayor is loathe to ease the

restrictions.
"We have to protect the trees," he says. "If we let them pull the trees it would mean the end of the grove." "But," says Mr Agullo, "no one is planting any more."

On a brief car ride through the grove it is depressing to see just how badly tended the trees are. Apart from the magnifi-cent collection in the city park and the Huerta del Cura gar-den in Elche, most of the palms stand apparently abandoned.

"There must be more than one way (selling them) to save the trees," says the mayor. The city is buying up land planted with the trees and offering indirect subsidies to farmers with palms on their land to

care for them. A date palm liquor has been produced and the French are helping establish a research centre in Elche to study grow-

ing date palms in vitro.

But this is all slow stuff.

"Last week," said Mr Agullo, "a ship arrived in Alicante with fifteen hundred palm trees from Egypt." That means that even Spanish buyers are having to look elsewhere for palms as the Elche restrictions

begin to bite.

And imports would not have to kill the old Elche grove with fungus. Given the mood of the local landowners, simply usurping the market might be



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Sales of dyestuffs and finishing products grew substantially. Also up were sales of chemicals, plastics, and agricultural chemicals. All consumer products, especially pharmaceuticals, recorded sound growth, and

the raw materials and energy division after a loss the previous year again contributed notably to the year's excellent perform-

Consistent with its long-term objective of enhancing earnings potential through strategic investments, BASF boosted capital spending in 1989 to nearly DM 4 billion, mainly in new plant and equipment. Almost half of these investments were made outside of West Germany. Special attention was focused on North America and Belgium, For research and development, BASF spent more than DM 2 billion.

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WORLD TRADE NEWS

Integration still eludes Southern African trade

The message remains idealistic but frustration is growing on the ground, writes Mike Hall

HE COMPANY cooked Cape pilchards, canned them with a sauce made with Botswana grown tomatoes and sold them to neighbouring Zimbabwe. It was a thriving business employing over 80 workers. But the plant closed last month because Zimbabwe suddenly declared the product did not meet the definition of "manufactured" under the trade agreement with Botswana, even though it allowed in the company's fish fingers.

There are other cases of Botswana businesses being killed off by what one senior official called Zimbabwe's "absurd rules" and, in southern Africa as a whole, numerous others which illustrate the difficulties of companies seeking to export in the region. Trade between southern African countries is only about 5 per cent of their total. And of that one country, Zimbabwe, accounts for 80 per

Such frustrations, however, are unlikely to cast a shadow over the celebrations marking the tenth anniversary of the Southern African Development Co-ordination Conference (SADCC), the regional group-ing launched on April 1 1980 with the objective of reducing trade and transport links with South Africa and increasing economic co-operation between

member states.
Its officials will espouse goals for the 90s, including regional economic integration, more private enterprise in pro-ductive sectors and the imposition of a formal structure which would place legal obliga-

The organisation's single most important achievement has been the creation of a "regional identity," gaining acceptance among member states and understanding abroad

tions on member states.

But for many with experience on the ground, the rhetoric at SADCC's secretariat in Botswana's capital, Gaborone, rings hollow.

The organisation (which comprises Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Zambia and Zimbabwe, now joined by newly independent Namibia)

emerged from the political grouping of "frontline" southern African states.

The magnitude of southern African countries' economic and social crisis, and hence SADCC's challenge, stems from

a double blow.

They face the same problems as the rest of sub-Saharan Africa, but over the last decade South African destabilisation in the region has caused the deaths of an estimated 1.5m of their people, displaced 4m oth-ers and cost their economies hillions of dollars.

"Apart from the human suffering and misery," said a recent World Bank report, "the deaths of thousands of people the rise in infant and child

mortality, the stunted potential from famine and mainutrition and the lack of progress in and in some cases the virtual disintegration of - education and health delivery systems have immeasurably set back development in southern

Regional politicians tend to stress South Africa's role. But SADCC is increasingly self-crit-ical. One of its recent reports said the crisis has been characterised by, among others, "seri-ous institutional and policy weaknesses and failures, including poor management of national affairs and low levels of public accountability in

The SADCC approach was based on individual projects which, over the last decade, have attracted over \$3bn worth Infrastructure - transport,

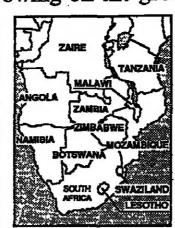
infrastructure — transport, communications and energy — have been the priorities. There were obvious common interests among members and attractions for donors with an eye on tied aid contracts.

Mr Emang Maphanyane, SADCC's chief economist, believes there have been significant achievements. He has icant achievements. He has estimated that about half of all estimated that about hair or all trade now goes through SADCC ports, while telecommunications and power links have been developed and national airlines have better co-ordinated schedules and incommunications and incommunications. improved regional connections.

But other analysts believe that the costs have been sub-

stantial but with few benefits.

Moreover, there has been rela-



tively little impact overall on reducing SADCC's dependence on the regional power. Indeed some countries, like Botswana, have strengthened ties with South Africa. Most members, except for Angola and Tanzania, still depend to a

transport routes.
In addition they continue to trade extensively with South Africa. Remittances from migrant workers are still a significant workers are still a significant. nificant source of revenue for some SADCC states and South African corporations still con-trol key investments in most SADCC economies. Mr Simba Makoni, a Zimbab-

great extent on South African

wean and SADCC's executive secretary based at the organi-sation's headquarters in the Botswana capital of Gaborone, argues it is wrong to judge SADCC on its continuing links with South Africa.

It never was the intention to cut ties totally, he said, but to

develop its own infrastructure and facilities where it was eco-nomically viable to do so.

He said the organisation's single most important achieve-ment has been the creation of a "regional identity," gaining acceptance among members states and understanding

This may well be the case at a high political level. But as one diplomat put it: "When it comes to the whole range of functionaries - from trade officials to railway technicians - who are faced with an array of pressing problems, their perspective is often constrained by national boundaries."

Privately, aid donors are blunt about their assistance to SADCC. As one western official said: "Politically, it is a useful organisation for donors to say look what we're doing for southern Africa. We pay lip service to it - and SADCC knows it. At the moment, regional integration is a pipe

Mr Maphanyane, SADCC's economist, is hard-pressed to think of a single SADCC project based on production for the region, even though the "investment in production" strategy is more than four reass old

"The most we've done is stimulate debate," he says. "The political consensus has not been translated into practi-

But SADCC increasingly acknowledges the problems. A recent report presses member governments to remove excessive controls, streamline bureaucratic procedures, change laws to reinforce indi-vidual rights, make fiscal and monetary reforms to reduce budget deficits and relax foreign exchange controls.

Officials at SADCC believe the need for change is ever more pressing as countries in other regions of the world move closer economically. Rapid political developments name pointer developments in the region - especially the prospect of an "acceptable" majority-ruled South Africa, which will automatically become a member - also pose new and larger challenges.

But observers say SADCC has done little thinking about the possible impact of a settlement in South Africa. It could well mean that South Africa's relatively lesses and conhicts. weil mean that south Artica's relatively large and sophisticated economy would dominate new investment and growth throughout the whole region, pushing SADCC into a peripaeral role.

Mr Makoni, however, is con-fident that SADCC can work with a future South Africa. But present member states will need to integrate more closely to act as a counter-weight, he to act as a counter-weight, he says. According to a recent SADCC report, it will mean far-reaching political and economic reforms, "to allow individual citizens the freedom to use their intellect and creativity to improve their own lives and consequently their societies and countries."

There are hopeful sizes from

There are hopeful signs from some member states, but the goal of integration is still a long way off.

E Europe reform 'could add 10% to world trade'

ECONOMIC reports in Estates
Europe could eventually add 10
per cent to world trade, but the
pace of change will be limited
by the speed of price reform
and the creation of a satisfactory structure for foreign

American Express Bank, in the lastest issue of its AMEX Bank Review, suggests that Eastern European countries trade should in the very long term come into line with aver-age per capita trade in the EC. This implies a tenfold increase

This implies a tenfold increase in exports.

But the prospects for the next by years are limited by the flow base from which, exports start, the Review says. In the last free years, exports have grown by 2 per cent in real terms. With the sid of reform, Eastern Fairope may be able to achieve, 16-20 per cent a year export growth in real terms. After five years this would add 12-5 per cent to existing world trade, or between \$11bn (£18bm) and \$76bn.

and \$76bu
Adding in the Soviet Union would double this, but the Review cantions that "the USSR's trade with the West is USSR's trade with the west is likely to grow relatively slowly, since it is dominated by raw materials, which probably cannot be increased as fast as manufactures.

There is limited room for the expansion of production to be

ECONOMIC reform in Eastern financed by debt, the Review says. Debt burdens in Poland says. Debt burdens in Poland and Hungary are already high, and even where this is not the pace of change will be limited by the speed of price reform the speed of the there is an apparent reluctance to borrow. Banks will also be

to borrow. Banks will also be cauthous in lending.

Trade finance will be one main financing route, but foreign investment will play the key role. It would bring management expertise, technology, and market disciplines.

Using Spain's campaign to attract investment as a model, the AMEX team estimates that Eastern Europe could attract 100m. Itsin every year.

But, the report warns, filb-

Sidm sishm every year.

But, the report warns, "liberalised prices and a satisfactory legal and accountancy system are essential if the foreign
investor is to be able to assess
the value of the proposed
investment and be able to manage effectively."

Assessing the reforms in Eastern Europe, the Review says that price liberalisation, and the pace at which it is undertaken, is the key element in creating a market based

economy.

Poland's shock programme appears to be working, though there are indications of a deep there are indications of a deep the state of the st recession developing over the next few months. Indeed, all the reforming countries will probably face recession in the near-term, the report warns.



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Mexico reluctant to join US, Canada trade area

MEXICO'S Trade Minister Jame Serra Puche has ruled out joining a common market with the US and Canada, on the grounds that its economic sovereignty would be lost, Reuter reports from Mexico

City.

"Mexico doesn't want a common noithed believe we don't
wish folingage we disposed to
poncede this type of economic
sovereignty that other countries which believe to a common market, such as the European one, have given up," the

Trade Minister said. But Mexico considered access to its northern neigh-bours' giant markets its top

commercial priority.

It might be willing to negotiate a limited form of free-trade pact with the US and Canada

at some data.

Same time of free trade agreement would have to include strict fair-trading guarantees and allowances for Mexico's current inability to compete on an equal footing with its neigh

Visa to issue business card for Europe and Mideast

By David Barchard

VISA INTERNATIONAL, the association of banks issuing Visa credit cards, is to launch a business card for the first ime in its Europe, Middle East

and Africa Region.

The move seems aimed at taking part of the lucrative travel and entertainment card market from American Express—main provider of business card services in the region.

Visa said vesterday its business card, to be issued through its member banks, is designed to meet the needs of small companies and large corporations. It will offer travel and and Africa Region.

tions. It will offer travel and emergency services compara-ble to those from American Express. Companies will be

able to put their name on the card's face. A reporting system will enable companies to moni-tor its use, including unusual

Visa's aim to enter the busivisa's aim to emer the bisiness-traveller market reflects the banks' desire to reclaim business from American Express and the belief that plastic-card services to business travellers are likely to grow over the next decade.

At present, only 10 per cent of company employees hold company credit cards. The potential market for business cards in Europe, the Middle East and Africa is estimated at over \$150bn (£88bn) - \$23bn of # in the UK.

Airbus deal for Aeritalia

By Paul Abrahams

AERITALIA, the Italian servepace company, has wen its first full contract from Airbus Industrie, the Enropean four nation manufacturer.

The deal is goodly about \$100m (260m) over 10 years.

Aeritalia will design and build a section of the new Airbus AB21, which enters service in 1994.

1994.
The Italian company will build part of the front fuselage,

representing about 2 per cent of the aircraft. The group has previously only been a sub-contractor for the consortium. Airbus' decision to offer the Authors decision to offer the contract to Aeritalia follows an initiative at the company to cut costs by providing open bidding for contracts from external companies and competitive bidding for new projects among existing consortium partners tium partners.

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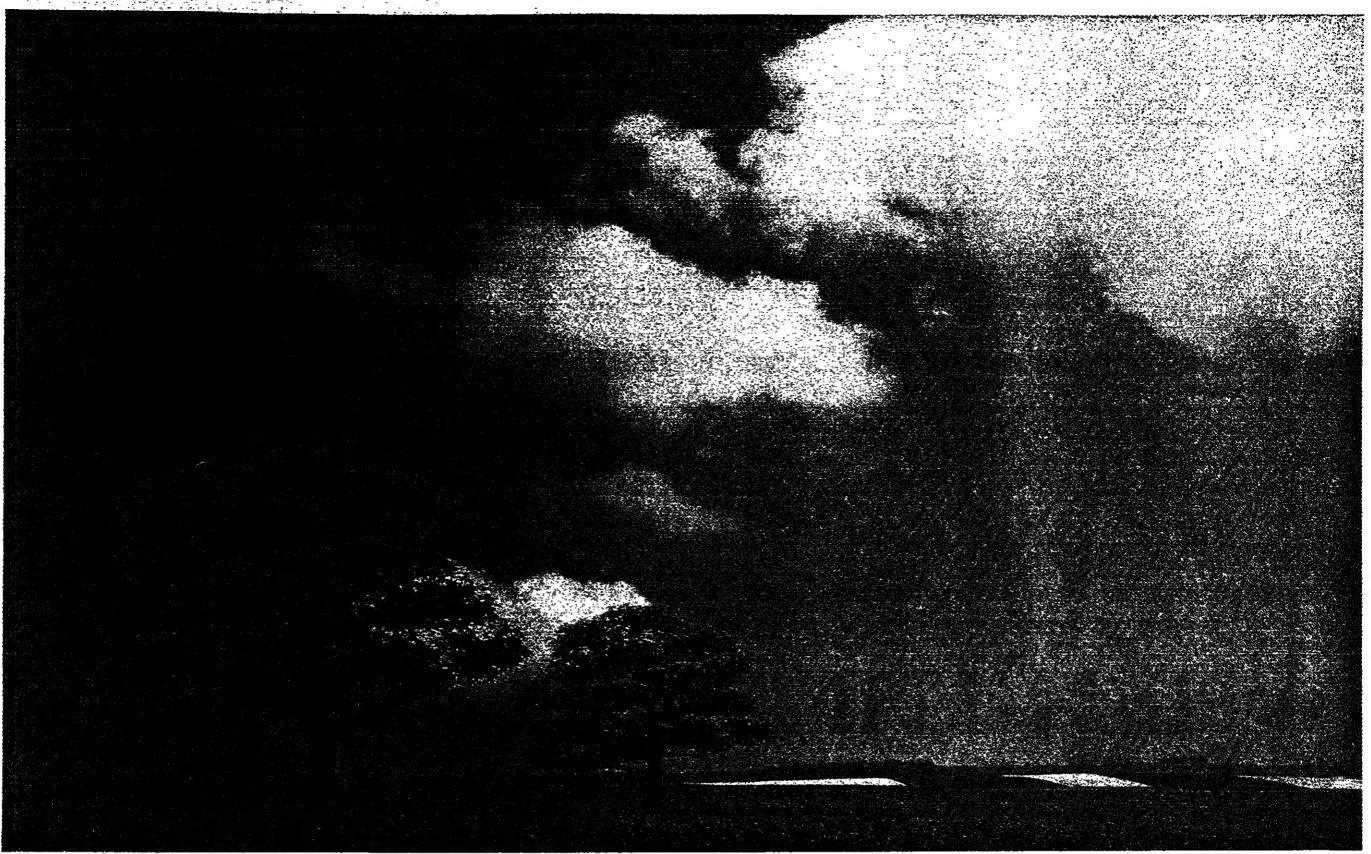
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OVERSEAS NEWS

Washington gesture urged after hostage freed

By Tony Walker in Damascus and Kamran Fazel in Tehran

Lebanon yesterday called for a reciprocal gesture from the US for the freeing on Sunday of an American hostage amid fresh talk of the imminent release of a second hostage.

Mr Hussein Mousawi, a senior member of Hizbollah, the umbrella organisation for pro-Iranian extremist groups in Lebanon, said a second hostage release was possible, but he made it clear that the kidnappers were expecting a goodwill

"There should be something in return for such a step," Mr

want better relations, they must secure

the unconditional release of all American hostages. This has been conveyed

IRAN and its supporters in Mousawi told the Communist radio station, Voice of the Peo-

> The Hizbollah leader appeared to be echoing com-ments made earlier by Mr Ali Akbar Velayati, Iran's Foreign Minister, who said in New York that Iran and Shia movements in Lebanon wanted a

prompt reciprocal gesture.

Mr Velayati referred to the continued detention in Israel of Sheikh Abdul Karim Obeld, the Lebanese Shia clergyman, who was abducted by Israeli com-

mandos last July.
The Tehran Times newspa-

per, which has been campaign-ing for a resolution of the hostage crisis, also appeared to raise the lasue of reciprocity. It said in an editorial that another hostage should be freed to test President Bush's claim that "goodwill begets

Mr Bush said on Sunday that he would make no gestures toward the kidnappers and their sponsors until all the hos-

tages were free.

However, the President ear-lier personally expressed his gratitude for Iran's help in sec-uring Mr Robert Polhill's free-

dom. In a written message, Mr Bush thanked "those who had a hand in the release, particularly the governments of Syria and Iran whose efforts have

this hostage". As many as 16 Westerners are still believed to be held hostage in Lebanon, including seven Americans, the four Britons, two Swiss, two West Ger-mans, and an Italian.

contributed to the release of

In spite of the intense focus of attention on the hostage issue, no word has been heard of the four Britons who are listed among those being held

captive in Lebanon, including Mr Terry Waite, the Anglican

church envoy.

Mr Terry Waite was kid-napped on January 20, 1987, while on a mission to try to secure the release of hostag No word has been heard of him

Meanwhile, the 55-year-old Mr Polhill arrived at the US base at Wiesbaden in West Germany yesterday for debrief-ing and medical checks follow-ing his release by the Islamic Jihad for the Liberation of Palestine after three years in cap-tivity.

Spring thaw in prospect for US-Iran relations

Tony Walker on Tehran's overture to Washington

HEN the kidnapped American Robert Polhill emerged, pale and gaunt, in Damascus on Sunday night his release sig-naled much more than simply the end of one hostage sags. Iran's conspicuous involveent in the freeing of Mr Polhill seems to presage more progress in securing the release of the 17 Westerners who are still believed to be

held hostage in Lebanon. The episode has also brought within sight the possibility of a genuine start being made on thawing relations between Iran and the US after more than a

and the US after more than a decade of hostility.

How quickly that process develops depends, as President George Bush made clear, on further progress in freeing the seven remaining American hostages in Lebanon.

But in the minds of Western officials in Damascus there is no doubt that Iran's President Ali Akber Hashemi Rafsamani has made an emphatic gesture towards the West in general, and the US in particular.

"It does seem to be an over-ture to the US," said a Western observer. "It will be interesting to see whether Rafsamani con

to see whether Raf carry it off in the face of inter-nal opposition in Tahran. But



Rafsanjani: pressing absed he must have felt his position

was solid enough to come out into the open on this."

The effort expended so far The effort expended so far this year by Mr Rafsanjani and his supporters on securing the release of one American hostage is a measure of the importance he attaches to reducing Iran's isolation. Since early this year the Iranian President's representatives including his brother have been exerting pressure on the hostage-takers.

All this activity behind the

hostage takers.
All this activity behind the scenes coincided with an increasingly forceful campaignwaged in the Tehran Times

waged in the Tehran Times newspaper, which strongly reflects left Rafsanjant's views, for the release of the Western hostages.

The measure of the opposition facing left Rafsanjani was reflected last month in the strong negative reaction among a majority of issues parliamentarians to resorts of secret confacts with the US on the release of hostages.

More than 170 depugies of Iran's majors backed a statement arging the Foreign Ministry to distance itself from the hostage issue.

Mr Ali Akhar Mohassanni, the hardline former Interior

the hardline former Interior

Minister who has strong links with Lebanese extremists, has also spoken recently against releasing the hostages in Lebanon.

But in spite of all this, MinRafsanjani is clearly intent on
pressing ahead, although the
difficulties both the Syrians

and the Iranians faced in extracting Mr Policii from his-captors over the weekend underscore the scale of the problem. roblem. Iran has described the release of one of the Americans as a "goodwill gesture." The clear finglication is that Teh-

move beyond the words of thanks offered so far. Indeed, Mr Ali Akhar Velayati, Iran's Foreign Minister, has called for a prompt gesture from the US and its ally, Israel. He specified the release of Sheikh Abdul Karim Obeld, a Lebanese Shia clergyman abducted by Israeli comman-

dos last July. The Tehran Times, in an editorial velcoming the release of Mr Polhill, suggested that the freeing of Lebanese prisoners in Israel would facilitate further progress on the hostages in Lebanon.

One of the challenges for US diplomacy in this delicate period will be to continue to encourage the process without appearing to be engaged in blatant horse-trading.

I want all those hostages out, but we're not going to trade," Mr Bush said. But, in the Middle East, as one observer put it, "you don't get something for nothing."

Washington is also likely to face the problem of restraining some of Israel's more aggressive impulses. Israel's raid on Lebanon last Friday in which six Shis Moslem guerrillas were killed was cited by the group holding Mr Polhill as one of the reasons for its reluc-tance to yield its captive. Syria itself has every reason

to be satisfied with its role in the hostage release. Not only did it demonstrate its ability to help on a humanitarian issue, but it was conspicuously engaged as a go-between in contacts between the hostages and Iran on one hand and the US on the other. President Hafez al-Assad has

peaped something of a diplo-matic windfall. Syria has reaf-firmed its position in Lebanon, it has demonstrated that its continued links with Tehran have a diplomatic benefit and it has put the US to a degree in his debt.

Damascus may even harbour hopes that the US will lift its invariet listing, thereby opening the way for the resumption of the supply of commodities under preferential credit

All this would be reason for self-congratulation in the Syr-ian hierarchy, especially at a time when Syria's Arab rival, Iraq, is facing the wrath of the West over a series of revela-tions about its attempts to procure an even more substantial arsenal of weapons of mass destruction.

The hostage episode has also shown that under President Rafsanjani, Damascus and Tehran "can do business," especially on the complex issue of ran would expect a reciprocal back rival Shia Moslem groups.

Peres prepares to abandon search for 'peace' coalition

LEADERS of Israel's Labour Party conceded yesterday that the month-long struggle by Mr Shimon Peres to form a gov-ernment committed to peace talks with the Palestinians

appeared doomed.
With Mr Peres's extended
mandate from President Chaim mandate from President Chaim Hersog due to expire on Thursday, senior party figures acknowledged that Mr Yitzhak Shamir, the incumbent Prime Minister and leader of the Likud party, was succeeding in blocking Labour's attempts to win majority support in the 120-seat Knesset (parliement). The situation is pretty clear. It seems that we are unable to form a government, seid Mr Chaim Ramon, leader of Labour's Knesset caucus and a close aide to Mr Peres. "The mandate will probably be

The mandate will probably be transferred to Mr Shamir's hands. We should accept this

unpleasant fact," he told a radio interviewer. Weeks of brazen political bartering — unprecedented even by the fraught standards of Israeli power broking — had left Mr Peres with support from a maximum of 60 Kne members. His hopes of at least securing an abstention among the other 60 ebbed away when Shas, an ultra-orthodox reli-gious party which helped him defeat Mr Shamir in a no-confi-

Such has been the see-saw-ing of support by small Knes-set factions in the past few weeks that last-minute changes were not ruled out.
But Labour has not previously expressed such pessimism. If Mr Peres does fail, his 13-year leadership of Labour is bound to be brought into constitute. to be brought into question.

dence vote in mid-March, agreed on Sunday night to sup-

Babangida is back in full control By William Keeling

in Lagos

THE government of President Ibrahim Babangida has resumed full authority after Sunday's failed coup attempt. Sunday's failed coup attempt.

Tanks were still in evidence in parts of the city, but shops in the capital were open for business. Lagos airport is closed to international flights, but these were expected to resume today or temotrons. or tomorrow.

In a television interview late on Sunday, President Babangida described the dissidents
as falling mostly within the
ranks of major, lieutenant and
second lieutenant. He said
Dodan Barracks the second Dodan Barracks, the govern-ment headquarters, had been "under very heavy bombard-ment". The exact number of casualties is not yet known.

The barracks in the suburb of Ikela, where the coupleader, Major Gideon Oka, is believed to have been stationed, was also the scene of beavy fighting. In the north of the country, the atmosphere

Sudanese troops crush coup attempt

By Julian Ozanne

SOLDIERS exchanged gunfire in the Sudanese capital of Khartoum yesterday as loyalist forces crushed an attempted coup led by junior officers against the country's ruling military junta.

In a midday broadcast on state-run Radio Omdurman, President Omar Hassan Ahmed el-Bashir said that the Government was fully in control of Khartoum and that the insurgents, including retired army officers who led the coup, had been arrested.

The retired military men were later identified by the Government as Maj-Gen Abdul Kader al-Kadro, former chief of the artillery corp, and Briga-dier Mohamed Osman Hamed Karar, former governor of the Eastern Region.

The abortive coup, he added,

had been masterminded by "the alliance in coalition with the outlaws", a reference to the banned political parties and the rebel Sudan People's Liber-

Bush manages to tread carefully in diplomatic minefield THE RELEASE of Mr Robert Polhill,

US consented to repay \$567m (£336m) in frozen Iranian assets after two days of the American hostage held captive for three years in Lebanon, follows intense behind-the-scenes contacts lasting sev-eral months between the US and Iran. negotiations. Thus while there may not be an explicit quid pro quo, the Administration has indicated that it is prepared to look kindly upon Iran's own demands: an end to the trade embargo, It is a game of nods and winks, feints and gestures which began on the day President George Bush took office, in January 1989. "Goodwill begets good-will," he said in his inaugural address. Since then, Washington's public mes-sage has been clear: if the Iranians the unfreezing of assets, and an end to diplomatic isolation.

The problem for Mr Bush is how to

hold the line in the emotional heat of the moment, when pictures of a gaunt American hostage appear on millions of television screens and the familiar calls over the last few months through Swiss

begin for some new gesture to speed the release of the remaining Americans. Congressman Lee Hamilton, a Demo-crat known for his caution and leveland Japanese diplomats.
Yet other moves suggest a less consistent tune. Last year, for example, the headedness, turned up the pressure on

Mr Bush yesterday, saying: "It's establishing a dialogue that's critical. There are a lot of things that could be done here, short of aid, short of normalisation, short of credits."

So for Mr Bush has held the line He

tion, short of credits."

So far Mr Bush has held the line. He rejected the kidnappers' demand that Mr John Kelly, the top State Department diplomat responsible for the Middle East, go to Damascus to receive the hostage. Apparently, the Administration viewed such a move as a prelude to negotiations on the remaining hostages. By refusing to hudge on the Kelly mis-By refusing to budge on the Kelly mis-sion, the Administration intended to send a clear message to Tehran: there is little point in holding up the release of hostages in the hope of securing a higher future price. The Iran-Contra

affair may, ironically, help the adminis-tration's case.

Washington can argue that the trauma caused by revelations that President Reagan sold arms to Iran in exchange for hostages makes it imperative that the Administration avoids any

appearance of dealing with Tehran.

Mr Bush delivered his lines perfectly last Sunday after speaking with Mr Pol-hill by telephone. "I'm not making gestures. I don't trade for hostages. This is mission uncompleted. I do not have forgiveness in my heart as long as one American is held against his will." Nevertheless, it seems fair to suggest that Mr Bush would like to do some-

thing, at some stage, to bolster the for-tunes of moderate factions in Tebran.

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Arrests prompt strike at Hyundai Heavy Industries

By John Ridding in Seoul

HYUNDAI Heavy Industries. South Korea's largest shipbuilder, faces a strike after workers voted for a work stoppage over the arrest of several of trade union leaders.

The strike, which is scheduled to begin tomorrow, will be the largest so far this year, and threatens to disrupt the relative peace of the current wage bargaining round. Over the last three years South Korea's economy has been hadly affected by industrial unrest.

Workers' representatives at Hyundai Heavy Industries, which is part of the Hyundai Group, Korea's second largest conglomerate, decided to strike following the arrest on Friday of Mr Woo Ki Hah, the union vice chairman. Mr Woo was standing in for Mr Lee Young Hyun, the union chairman who was himself arrested in February on the charge of organising

an illegal work slowdown.

Hyundai's union said yesterday that it will go ahead with the strike unless the charges against the union leaders are dropped and the company apol-

A spokesman for the Federa-

tion of Korean Trade Unions said that the arrests reflected the Government's tougher stance on industrial relations. Leaders of several other trade unions have been detained for industrial actions deemed illegal under South Korea's trade union laws. Hyundai said yesterday that

the threatened strike would also be illegal because the union has not given the required 15 days notice to the Labour Ministry. However, the company expressed hope that the strike could be averted.

So far the Government's tougher industrial relations policy has been successful. The number of labour disputes in number of labour disputes in the first quarter fell by almost 80 per cent over the same period last year and pay increases averaged 7 per cent compared with 15.5 per cent in the first three months of 1989. An analyst at the Korea Labour Institute said that the industrial peace also reflected a loss of public support for strikes and high wage claims

strikes and high wage claims because of a slowdown in Korea's economic growth rate and a fall in exports.

Kathmandu police open fire on demonstrators

By K.K. Sharma in New Delhi

KATHMANDU and other Nepalese towns were affected by unruly demonstrations yesterday, just a few days after the first multi-party govern-ment in 30 years took office. Mobs trying to stop supporters of the monarch from reversing the move towards democracy, clashed frequently with police. Police opened fire on demonstrations by such mobs, which have been beating up some members of the dissolved panchayat (assembly), in several parts of Kathmandu yesterday. Unconfirmed reports said that at least seven people were killed and more than 70 injured.

At one stage, Mr Yog Prasad Upadhyaya, the new Minister for Home Affairs, and Mr Hem Bahadur Singh, the chief of

police, were surrounded by the demonstrators. They were released when the Home Minis-

take control of the situation. The demonstrations are expected to force the new allparty coalition government led by Mr Krishana Prasad Bhattarai, quickly to revamp the constitution so that free elec-tions can be held as soon as

ter assured the people that the police chief was personally to

Mr Bhattarai has promised to hold elections within a year but the continuing unrest in Kathmandu could force the pace for change. At present, there is no move for abdication of King Birendra and the aim of the government remains to make him a constitutional

Political tempo builds up in Hong Kong

By John Elliott in Hong Kong

MORE THAN 16 months before its first direct elections, Hong Kong has suddenly been hit by a rash of party political activity as business, trade union and other interests form parties which are broadly aligned according to the colony's two main policy issues of the speed of democratic reform and atti-tudes towards Peking.

Yesterday, Mr Martin Lee, the colony's arch opponent of Peking, inaugurated a liberal party and toned down his own firebrand image when he stated that the party would steer clear of China's internal affairs and concentrate on Hong Kong's own issues. This signifi-cant change of personal stance is aimed at winning acceptance among Hong Kong's population which is nervous of upsetting Peking in the run-up to Chi-na's 1997 resumption of sovereignty.

At exactly the same moment in another hall a few yards away, Mr another half a few yards away, for Jimmy McGregor, an ex-civil servant and founder of another liberal party, was being implicitly censured by the right-wing governing committee of the powerful General Chamber of Commerce. He represents the chamber (where he used to be the director) on the existing Legislative Council, but has become too political and has advo-

ness to stomach.

From the other end of the spectrum, the pro-Feking Hong Kong Federation of Trade Unions raised the spectre of Communists winning votes when it announced on Sunday that it would be

cated too much democracy for big busi-

actively involved in the elections, backing candidates through its 82 member For a colony which (according to the British Government) has never had any

interest or time for politics, Hong Kong is building up the electoral tempo amazingly fast. The target is polls in September next year for the legislative council when 18 out of 60 seats will be directly elected from nine new constituencies. At present all the council members are

ridirectly elected or appointed.
Significantly after the turmoil of Peking's Tiananmen Square crisis, all the parties accept the reality of what 1997 means in terms of taking China

into account.

This led Mr Lee to say yesterday that his party would concern itself with Chinese affairs "only when they affect Hong Kong". For example, he said: "We will argue for Peking to give more damocracy in Hong Kong's Basic Law, but we will not talk about human rights

in Tibet." Mr Lee's party has been born out of a virulently anti-Peking, pro-de-mocracy alliance that organised mass demonstrations in Hong Kong last year. Many leading members belong to both

bodies.

But Mr Lee and others, who have been condemned by Peking, recognise-the need to cut some formal ties with the past if they are to have a political future — though that might not stop them joining alliance demonstrations.

They are consequently likely to shep down at the alliance's general meeting in June. The official reason was given by Mr Yeung Sum, a vice-chairman of both bodies: "Some of us might be too busy to stay on the alliance body."

The chamber of commerce row is important because it exposes a spile in the histogram community on the page of

the business community on the pace of democratic reform. Mr McGregor broadly speaks for smaller businessmen who, he says, want faster democracy.
But the bigger business interests do not agree. They are represented by an organisation called the Group of 89 whose convener is Mr Vincent Lo, heir apparent to the chamber's chairmanship. With Mr Lo's help, this group is soon to form its own right-wing political party. Mr Helmut Sohmen, the cur-

rent chamber chairman who runs Sir Yue Kong Pao's shipping empire, pub-licly rebuked Mr McGregor yesterday. But Mr McGregor replied that he would "continue to speak on political matters from conviction and conscience".

from conviction and conscience."

The emergence of the pro-China trade union federation was generally expected. Yesterday the federation flexed its muscles by warning that the government's budget proposals for increased indirect taxation could cause "social"

That exposes another policy issue that will gradually emerge — how to pay for increased social spending that liberals are likely to demand as democracy expands. Along with Peking, right-wing businessmen oppose such social policies because they could end Hong Kong's low-tax regime — and that is one of the reasons the businessmen regist democracy.

resist democracy.
But whatever divides the different groups on democracy, they all unite behind the word itself. While Mr Lee's group is called the United Democrats, Mr McGregor's is the Democratic Foun-dation and the right-wing business-men's party — much to most people's amazement — is to be the Liberal Dem-

Singh transfers telecoms minister

By David Housego in New

INDIA'S telecommunications minister was changed yester-day in a cabinet reshuffle that demonstrated the continuing difficulties faced by Prime Min-ister V.P. Singh in broadening

ister V.P. Singh in broadening his administration.

Mr K.P. Unnikrishnan who had engaged in a highly publicised campaign against the telecommunications policy of the former government lost his portfolio. The move seems likely to pave the way for a compromise over the choice of digital switching equipment for India's main urban telephone exchanges between Mr Sam Pitroda's Indian developed C-DOT technology and the Alcatel-supplied E10B exchanges.

Apart from the departure of Mr Unnikrishnan's the big sig-Mr Unnikrishnan's the big sig-nificance of the reshuffle was to underline the failure of Mr Singh's Janata Dal party to recruit new allies who would give more substance to the minority administration. Nei-ther the Hindu militant BJP party nor the Marxparty nor the Marx-ists - which both the support the Government in parliament - have accepted ministerial

posts.
The reshuffle - the first ince Mr Singh took office five months ago - brings into the Government 17 new members of whom all but two are junior of whom all but two are junior or deputy ministers. The Prime Minister's main aim was to reduce the work load on colleagues who had more than one portfolio. But he has also used the cabinet expansion to give the Government a wider

geographical representation.

Mr Singh was seen yesterday
however to have ducked many of the difficult decisions that faced him. He has not replaced Mr Multi Mohammad Sayeed, the Home Minister, whose indecisiveness over Kashmir and the Punjab has contributed to the Government's image of drift. He did not fill the Defence portfolio which he confines to bold himself and he has left Mr Mohammad Arif Khan; holding the two ministries of Energy and Civil Aviation — notwithstanding the mishandling of the Airbus of the difficult decisions that mishandling of the Alrbus A320 grounding.

China reopens border area to tourists

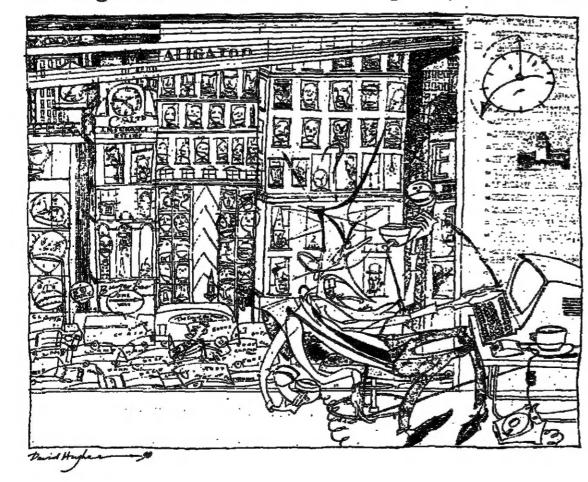
By Colina MacDougall

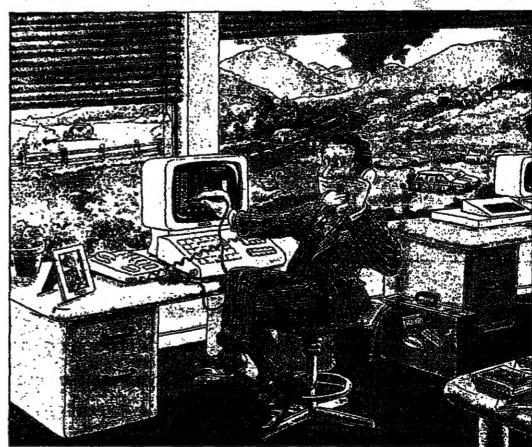
CHINA yesterday declared that the far western corner of Xinjiang, the huge region bor-dering the Soviet Union, had reopened to foreign tourists after nearly three weeks of clo-sure after what now appears to have been serious trouble. According to official Xin-jiang television on Sunday, rebels had formed Islamic death squads, part of a previ-ously unknown organisation, the Islamic Party of East Turkestan. "This gang, under the banner of religion, incited a religious craze and wildly proclaimed the launching of a sacred war to eliminate the heathers", the TV station said. The armed revolt was sparked among the Kirghiz people in the town of Baren, near Kashgar, on China's his-toric Silk Route, on April 5 and 6, and led to the deaths of 15 rebels, six policemen and one official. Earlier this month foreign travellers quoted locals as saying that new iden-tity cards and restrictions on building a mosque had sparked the unrest.



were devestated by the worst flooding for a century. Three people have been reported killed and 20 are missing Citizens of Charleville in Queensland sit on a roof swaiting evacuation after their town and much of the Australian Outback

"If it is good to have one foot in England, it is still better, or at least as good, to have the other out of it." HENRY JAMES





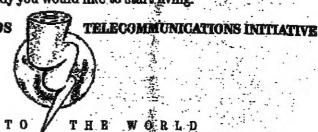
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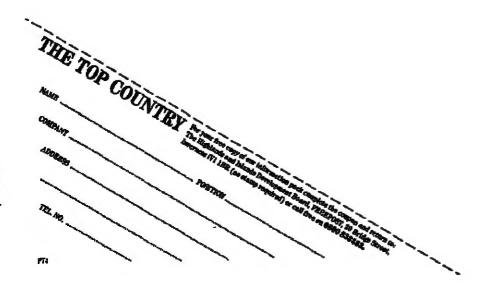
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OVERSEAS NEWS

Israel maintains grip on southern Lebanon | Kuwait to

Lara Marlowe assesses the impact of the Israeli occupation on daily life in the south

Regulations imposed by the Israelis in southern Lebanon have created a novel form of employment. In hilltop villages like Marjayoun, the seat of Israeli administrative and military power in southern Lebanon, poor people stand by the roadsides holding handmade signs which offer their services as passengers.
To discourage suicide car
bombers from attacking their

convoys or installations, the

convoys or installations, the Israelis and their allies in the South Lebanon Army (SLA) militia do not allow anyone to drive alone inside Israel's self-declared security zone, hence the freelance "passengers".

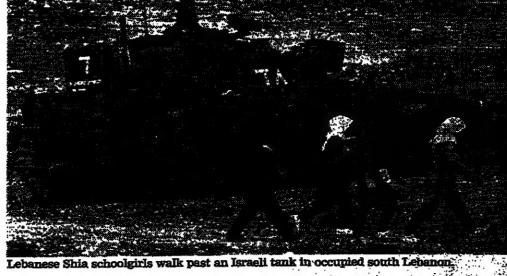
Within the past year all vehicle owners in the region have also been required to purchase new number plates. The first three digits of the plates indicate the owner's home village. Drivers pay \$10 every six months for the plates.

Israeli flags fly over the

Israeli flags fly over the handful of Israeli military comhandful of Israeli military compounds which are manued by 1,000 Israeli soldiers in southern Lebanon. The Israelis are assisted by at least 2,000 militiamen from General Antoine Labad's mainly Maronite Christian SLA.

The 5,900-strong United Nations interim force in Leba-non (Unitil), like the Lebanese whose villages it is trying to protect, now has stronger eco-nomic links with Israel than with the Lebanese Government

in Beirut.
The SLA taxes all goods entering the Israeli-controlled enclave through its port at Nagoura and at road checkpoints. Residents of the Israeli-controlled zone must obtain permits from the civil adminis-tration to travel through the



area. The pink travel documents are printed in Hebrew, but the Lebanese fill them out in Arabic. Some 3,000 local Lebanese commute to work in

Lebenese commute to work in Israel every day.

The SLA clerks use their power to issue travel documents as a form of political pressure, withholding permits from those suspected of sympathising with guerrilla resistance movements.

But fear remains the great-

earce movements.

But fear remains the greatest deterrent to anti-Israeli activity. With approximately 350 internees, Khiam prison, a former French colonial fortress that is visible from Marjayoun, the acceptant reminder to the is a constant reminder to the Lebanese inhabitants of the security zone."

There is hardly a family in southern Lebanon which has not had someone detained there without trial, some for

conditions.

The SLA militia also pressgangs young men into service
and collects protection money
from businesses in the region.
Villages which have accepted SLA administration, some-times receive water, electricity and road work assistance from

Israel in exchange for their Israeli efforts to install sympathetic "civil administrations" in the villages of the

up to five years. Men and women are "arrested" by plain clothes armed SLA men who arrive in Mercedes cars.

For the past two years, the families of Khiam prisoners have been denied visiting rights. The International Red Cross has been refused permission to enter the prison. Former detainees tell of beatings, torture and appalling sanitary are said appalling sanita

age 30 monthly attacks against SLA and Israeli targets. Every day, the sound of machine gun or shell fire echoes through the deceptively beautiful hills of south Lebanon.

In the western, Mediterra-nean, side of the Israeli-occu-pied zone, attacks are usually the work of the Shia Moslem Amal militia and Palestinian groups who have infiltrated

reintroduce a form of parliament

lits gen

fo

in exchange for recent assis-tance to Amal in the national-THE EMIR of Kuwait has ordered the restoration of a national assembly in response to widespread demands for a return of parliament in the Gulf state, but former deputies objected it would have too many appointed members, Reuter reports from Cairo.

The Emir, Sheikh Jaber al-Ahmed al-Sabah, said on state radio and television late on Sunday that the new assembly's main function was to evaluate Kuwait's previous ist militia's war with the more radical pro Iranian Hizbollah. Palestinians are being given a freer hand in southern Lebanon. In an attempt to halt incirsions into the south by Hizbollah, which is believed to hald most of the western hostages in Lebanon, the UN has recently allowed Amal to set up armed check-points within Unifil areas.

For its part, the pro-Israell

evaluate Kuwait's previous

up armed check-points within Unifil areas.

For its part, the pro-Israeli SIA has launched a new campaign of intimidation in the western part of the Israeli enclave. The SIA is kidnapping anyone in the villages." a UN officer said. "Usually they let them go after a day or two, but it is creating a lot of friction. They want to frighten people, to make them obey their rule."

In the more mountainous, inland area to the east, most attacks are carried out by the Lebanese Communist Party. "The communists are becoming more professional," an officer-in the UN's Norwegian battalion said. "In the beginning, the LCP men we caught were wearing jeens and jackets. But lately they have been wearing uniforms."

Conflicts between the various armore fighting the Levalie. evaluate Kuwait's previous parliamentary record.

Kuwait's parliament, the only elected assembly in the Gulf Arab states, was dissolved by the Emir in 1986, citing threats against the unity of Kuwait and its integrity at the height of the Gulf war between neighbours Iraq and Iraq.

and Iraq.
"I have issued an Emiri decree to set up a national assembly to serve during an interim period to evaluate our

interim period to evaluate our parliamentary experience," the Emir said. The assembly would have 50 members elected by secret ballot and 25 government appoin-tees, inclinding an unspecified number of cabinet ministers. It would convene in October

Conflicts between the various groups fighting the istaells have claimed more victims than has the guerrilla war against the Israells. But the for would convene in October for a four-year term.

The Emir said the new assembly's priority task was to "study the negative elements which prevented the maintenance of co-operation between the legislative and executive authorities," a reference to rows with parliament over what the government ami-israen attacks are neces-sary for propaganda on both sides", the Norwegian officer said. "The Israelis need them to justify their deployment in southern Lebanon. The resis-tance groups need them to jus-tify their existence and provide a common cause." over what the government termed its excesses in critici-sing ministers and its divisive debates.

The decree issued by the Emir said the new assembly would propose "rules and regulations that would ensure maintenance of stability and national unity in line with the spirit of Islamic Sharia law and the minerals of the one



AN EXHIBITION TO COMMEMORATE THE EIGHTETH

New York: 518-583 2060

Indian Government allows curfew break in Kashmir

THE INDIAN Government allowed a long curiew break in the Kashmir Valley for the first time in three weeks yes-terday as part of plans to restore some semblance of normal life, Reuter reports from

Srinagar.
Unlike previous breaks in the curfew, which has been in place since mid-January, there were no immediate reports of attacks on security forces by Moslem insurgents fighting to be rid of Indian rule.

Indian Home Minister Mufti Mohammed Sayeed announced in Srinagar, summer capital of Jammu and Kashmir state, on Sunday that business-hours curiew breaks would be per-mitted daily in a first step towards restoring normal life towards restoring normal life. He said schools and colleges, would start opening again on

At least 300 people have been killed in the insurgency in India's only Moslem-majority

Delhi has accused Pakistan of fomenting the insurgency, a charge Islamabad denies. An almost daily exchange of hot words over divided Kashmir, the cause of two of the three wars between the countries, has led to fears of a fourth.

Although there were no apparent attacks on security

apparent attacks on security forces, the militants were still active. A young Hindu, Susheel Kachroo, was shot dead by sus-pected militants in Srinagar. No one claimed responsibility.

Paramilitary police reimposed the curiew in the immediate vicinity and conducted house to house searches in a failed attempt to capture the gunmen, officials said.

Indian security forces have used the curiew over the past three weeks to conduct widespread house-to-house searches for militants Delhi alleges were trained in the one-third of Kashmir that Islamabed controls.

Hendreds of people have been detained in the searches. The hund continued in Monday despite Mr. Sayeed's gestures and officials said 32 people were detained.

Many shops opened in Scinal gar but there were few customs summy people had run out of money.

The only long queues were at heavily guarded banks. Every customer was highed before entering and security men watched keenily from sandbagged positions.

Hundreds of people have sandbagged positions.

anti-Israeli attacks are neces-

ist militia's war with the more

spirit of Islamic Sharia law and the principle of the one Kuwaiti Iamily."

The assembly would have power to question ministers and debate the budget and proposed legislation, but leaves the final say on any issue in the hands of the Emir.

Some pro-democracy activists who have been calling for a return of parliament, once the itveliest in the Arab world, criticised the decree.

If you are a professional, you may well be interested in some of these events.

Month	Period	CONGRESSES AND EVENTS 2ND HALF OF 1990	Estimated Attendance	City
July	15 to 20	VI World Congress of Music Theropy	1000	Río
	29 to 03 August	III International Congress of Shopping Centers	1000	Rio
August	06 to 13	World Moster Swimming Champiorship	4000	Rio
]	06 to 12	IX Aftal Congress (Latin American Philology and Linavists Association)	500	Compines
	12 to 17	XVI World Buicinics Congress	3000	Salvador
	27 to 31	III International Congress of Informatics Associations	1200	Ric
September	02 to 06	IV World Congress on Impotence	600	Rio
	09 to 13	XXVII World Congress of the International College of Surgeons	5000	São Paulo
	16 to 21	World Energy Conference	500	Rio
October	07 to 10	General Assembly of the World Teleport Association	2000	Rio
	08 to 12	XVIII World Congress on Housing,	1000	Rio
	24 to 28	V CODATU V Conference on the Development and Planning of Urban Transportation	700	São Paulo
		the Thirty of the		

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conferences and

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hospitality and a

stunning backdrop of

congresses,

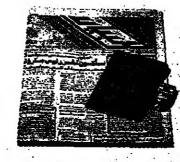
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AMERICAN NEWS

Splits develop in Argentina over pay for military

By Gary Mead in Buenos Aires

A SERIOUS split has emerged in Argentina's Peronist government over military salaries. Under pressure from senior officers, Mr Humberto Romero, Defence Minister, has called for a general increase of 170 per cent, against a maximum offer of 40 per cent by Mr Anto-nio Erman Gonzalez, Economy

Kuwait to

100 b

A CANADA

President Carlos Menem is also facing growing pressure from public sector trade unions. Mr Menem's offer of wage increases equivalent to April's rate of inflation (likely

April's rate of inflation (likely to be 15 per cent), plus 10 per cent, will be opposed.

Large contingents of the army staged three mutinies in 1987-88, partly at over wages. Although most of the leaders have now been forcibly retired from the military, they retain a considerable following in the rank and file.

rank and file.

The Government is struggling to maintain the small fiscal surplus (fluctuating cal surplus (fluctuating between the equivalent of \$10m-\$50m monthly) it has

months. This is in an effort to persuade the International Monetary Fund to unblock a stand-by credit. of \$1.4bn suspended early this year after agreed economic targets had

The IMF is monitoring Argentina's economic performance and is unlikely to renew the suspended loan before the end of May.

While Argentina's foreign currency reserves may now be as high as \$1bn, that is intended for central bank inter-vention in the financial markets to maintain the recently stable exchange rates. The fund is in theory not available to back a generalised wage increase far in excess of April's relatively low inflation rate.

President Menem is thuscaught between an external pressure to maintain and tighten his grip over government spending and an internal pressure from disgruntled officers to grant wage increases beyond the Government's



HUNDREDS of Earth Day demonstrators blocked Wall

HUNDREDS of Earth Day demonstrators blocked Wall Street traffic yesterday as they danced and chanted in the financial district to protest against corporate involvement in pollution, Renter reports from New York.

Police said that by mid-morning 155 people had been arrested and charged with disorderly conduct. Financial markets, however, opened as usual. Police said that about 400 protesters gathered shortly after dawn for the "Wall Street Action", aimed at shutting down Wall Street.

Mexico records first trade gap since 1981

By Richard Johns in Mexico City

MEXICO recorded a trade deficit of \$664.8m last year, the first since 1981, the National Institute of Statistics, Geography and Information

Figures were issued after a long delay, apparently reflecting the authorities' nervousness over confidence in the peso-dollar exchange rate. The merchandise trade surplus in 1988 was \$1.75bn.

The deterioration in the trade balance stems from Mexico's policy of apertura, or opening up the economy, and a more rapid than expected resumption of growth, with the expansion of gross domestic product in 1989 provisionally estimated at nearly 3 per cent. However, the deficit was less than some of the more pessi-mistic forecasts, which ranged

up to more than \$800m. Imports last year were val-ued at nearly \$23.41bn, an increase of 23.8 per cent over

Exports grew by only 10.2 per cent to \$22.76bn, according to the Ministry of Planning and the Budget. Foreign exchange receipts from petroleum sales rose from \$6.7bn to \$7.87bn. despite a reduction in the vol-ume and thanks to higher per

barrel receipts.

They accounted for just over half of the total increase in exports with those of manfuactured goods showing a a slower growth than in recent years of 3.3 per cent and those of agriculture and fisheries one of 5

The figures do not, however. include net receipts of Mexico's flourishing maquiladora, or in-

bond, industry.

The most recently available from the Bank of Mexico shows that earnings in terms of added value amounted to \$2.74bn last year up until the end of November, a 30 per cent increase over the same period of last year.

Most of the increase in nonmaquila imports was accounted for intermediate goods which were up from \$12.95bn to \$15.13bn. Those of consumer goods rose steeply from \$1.92bn to \$3.49bn.

congressman's efforts to achieve price stability REPRESENTATIVE
Steve Neal of North
Carolina is an unusual flexibility to deal with external in five years, there would be shocks, such as the 1987 mar-ket crash." Secondly, the Fed had doubts about the reference to zero inflation because the measuring tools were not pre-cise enough to measure absolute zero. "Again I agreed, and we went back to price stability which will be achieved when inflation is not a concern in

make US inflation illegal

The man who would

Peter Riddell in Washington reports on one

politician. He not only says he

wants to eliminate inflation but he is prepared to do some-

As the Democratic chairman of the House domestic mone-

tary policy sub-committee, Mr Neal has been holding hearings

on his bill which would set the Federal Reserve the goal of

moving over the next five

years to price stability from an inflation rate of 4.5 to 5 per

cent currently.

Mr Neal traces his concern

about inflation back to the

mid-1970s, when he was a newspaper publisher in Win-ston-Salem. I ran a small busi-ness during the high inflation

1974, inflation was "the most important issue. So I wanted to

understand it better. I started looking into it and was able to

get on and chair the sub-com-

mittee dealing with it."
Initially, he proposed legisla-tion "to tell the Fed how to do

it - setting targets for M2 and so on. That just didn't attract

any attention. It was too tech-nical and didn't go anywhere." So he switched tactics to

focus on the end of eliminating

inflation rather than the means of monetary targets.

"This idea of establishing a goal and not the technique has

more general appeal. It's more

easily understood and we have a better chance with it."

"I want to give the Fed one

purpose and then measure how well they're doing that. All these other goals that people

want to set for the Fed are

important - exchange rate stability, low interest rates etc.

It's just that the best way to

get these things is through

The first version of the Neal bill would have required the Fed to reduce inflation by one

percentage point a year until it

reached zero. But the Fed objected to two aspects; first,

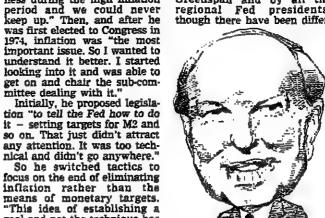
that the annual timetable was too rigid. "I agreed immedi-ately. It was too rigid. We want

zero in five years. They know how to do it. They need the

zero inflation."

economic decision-making." Mr Alan Greenspan, the chairman of the Fed, has said inflation will be eliminated
"when the expected rate of
change of the general level of
prices ceases to be a factor in
individual and business deci-

sion-making."
The plan has, not surprisingly, been endorsed by Mr Greenspan and by all the regional Fed presidents, though there have been differ-



Neal: first became concerned about inflation when he was a

ing views about the cost in terms of lost growth while inflation is eliminated. Mr Greenspan has talked of a "modest loss of growth" while Mr Neal shares the views of the rational expectations school of economists in stressing the importance of credibil-

The congressman argues that the cost need "not be very great. If we passed the legisla-tion, the President signed it and if everyone who made a difference – labour unions and the investing community – believes that these guys are serious about ending inflation

absolutely no cost. If it's 100 per cent believable, there

would be zero cost." His sub-committee staff have conducted a survey among the 3,000 odd members of the American Economics Associa-tion, out of a total of roughly 12,000, who list themselves as fiscal and monetary econo-

Initial results show 55 per cent unequivocally in support of the bill, another 15 per cent favourable but with doubts about things already antici-pated or dealt with such as using the term zero inflation. Another 15 per cent are solidly against and the remaining 15

per cent are mixed.
Supporters include two Nobel prize winning economists, professors Milton Friedman and James Buchanan, as well as influential bodies such as the Farm Bureau. Some liberal economists endorse Mr Neal's goal, though they believe he is overselling the measure by under-estimating

the costs.

Mr Neal's main opposition comes from within Congress and from the Bush Administration. He acknowledges that on Capitol Hill, "it'll take time. None of us want to do things that are going to be unpleasant

or unpopular." Senior Administration officials have said they regard the timetable as too rigid since it does not take sufficient account of the state of the economy.

At present, Mr Neal admits he does not have the votes to push the bill forward. "We don't want to take a chance of losing. As it is now, I think it's helping at the very least bal-ance the argument against

inflation. If it was brought up and defeated, that would just be a very bad signal."

Although his proposal is an aspiration, with no penalties for non-fulfilment, Mr Neal faces an upbil struggle.

faces an uphill struggle.

But he is patiently keeping the measure alive — stressing that the main beneficiaries from price stability would be ordinary working people trying to buy a house, pay for medical care and education.

Antigua seeks Israeli arms dealer Canadians

By Canute James in Kingston

ANTIGUA is to seek the extradition of an Israeli husinessman to answer charges connected with the tranship-ment of arms through the island to a former leading member of Colombia's Med-

ellin drug cartel.

Mr Vere Bird, Snr, Prime
Minister of the eastern Caribbean island, alleged that the
businessman, Mr Maurice
Safarti, was involved in the
smugging of the arms.

The arms, which were sent
to Colombia a year ago, were

to Colombia a year ago, were discovered on the property of Mr José Gonzalo Rodriguez Gacha, a drug baron killed last December by Colombian police. The Colombian Government advised the Antiguan Govern-ment of the find earlier this

Mr Safarti once operated a fruit farm in Antigua but sold

officials on the Island said they did not yet know where Mr Safarti could be found but said it was suspected that he was in either the US or Israel. The arms, the nature of

which have not been disclosed, were sent from Israel to Antigua, ostensibly for use by the island's defence force, according to Antiguan officials.

The issue has split the already fractious Bird family which has led the island's gov-ernment for the past decade

and a half.
Mr Bird's announcement of the effort to extradite the an earlier statement by Mr Les-ter Bird, the deputy Prime Min-ister and a son of the Prime Minister, that he would not attend any meetings of the Cabinet until the Prime Minister ordered a judicial inquiry it two years ago. Government into the smuggling.

Mr Bird, Snr, however, has not yet agreed to this.

He said that when the Cabinet received results of investigations in progress he would consider whether a judicial inquiry should be set up.

Mr Vere Bird, Jnr, another son of the Prime Minister, and who has been in contention with his brother Lester over who should succeed their father, has denied reports on the island that he was involved in the smuggling.

"I categorically deny having any knowledge whatever about the shipment of arms to Antigua and transhipment to any other country," a local newspaper reported Mr Vere Bird, Jnr, as saying. He is the Minister of Works and Communications, as well as the Gov-

go for green

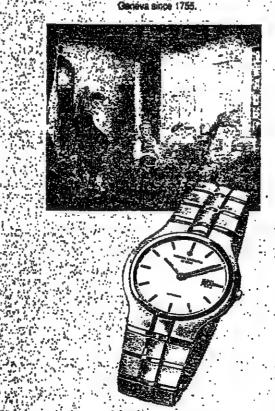
CANADA IS PLANNING a set of "green" indicators that will give the public and decisionmakers a regular report on the state of the environment, Renter reports from Montreal.

Canadian officials said the indicators could ultimately be linked with traditional economic statistics, which would help illustrate whether an economic upturn was being made at the expense of the environ-ment's long-term health. The Canadian Government

has established a task force to develop a set of 20 to 30 indicators and a prototype package is expected to be released by early next year. There is such a vast array

of data but people do want to know the state of the environment," said Anne Kerr, heading the task force for Environ-

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The Financial Times proposes to publish a Survey on the above on

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GrandMet and Courage amend beer swap deal

By Clay Harris, Consumer Industries Editor

GRAND Metropolitan and Courage have amended their breweries-for-pubs swap in an effort to get the deal cleared by British and European Com-

munity regulators.
GrandMet, the UK drinks and restaurants group, and Courage, and the British subsidiary of Australian brewer Elders IXL, are to reduce the proportion of beer which tied pubs in their jointly-owned Inntrepreneur Estates would be obliged to buy from Cour-

Mr Allen Sheppard, Grand-Met chairman, said yesterday that his company and Courage had renegotiated their deal after the Office of Fair Trading and its Brussels counterparts both raised questions about the beer supply agreement.
It is still not clear, however, whether the change will be enough to allay concerns

about competition.
The deal between GrandMet and Courage, announced in March, would create Britain's second largest brewer, after Bass, and its biggest chain of public houses.

International property market

Surveyors link up to open US, **British markets**

By Paul Cheeseright, Property Correspondent

HEALEY & BAKER, one of the largest British practices of chartered surveyors, has arranged an association with Cushman & Wakefield, a real estate services company in the

United States, The association will open up the US market to Healey & Baker and the European mar-ket to Cushman & Wakefield. The link between the two

companies is part of a progressive realignment among British chartered surveyors as they have sought expansion both have sought expansion both through mergers domestically and associations with the other companies internationally.

Last week Gooch & Wagstaff, another British practice of chartered surveyors, announced an association with Mercuri Tayernier Conseil of Paris

Paris.
At the same time the Healey & Baker link gives Japanese interests their first indirect stake in the British chartered surveying sector. Cushman & Wakefield is 80 per cent owned by the Rockefeller Group, but Rockefeller is 51 per cent

owned by Mitsubishi Estate. Healey & Baker has offices in the UK and 11 other Euro-pean countries, while Cush-man & Wakefield has 53 offices

in the UK. The association between the two provides for each to introduce to the other business from their respective geographical markets, and for the fees to be shared. A man-agement board is being set up supervise the joint venture and there will be an exchange of senior personnel.

The link between the two companies reflects the growing internationalisation of the property market. Although there has been a steady flow of there has been a steady flow of European investment to the US commercial property market, US investment in Europe, except for owner-occupiers has been scanty until recently. But over the last year, the weak-ness of the US market and the growing tendency of US institutions to operate a global investment policy has created, in the US, more interest in the European property markets.

BRITAIN IN BRIEF



British Rail offers 9.3% to unions

British Rall made a final pay offer of 9.3 per cent to leaders of the three rail unions representing 100,000 staff. The offer will run for 11

months, enabling BR to regard it "as adding 8.6 per cent to our pay bill," said Mr Paul Watkinson, director of employee relations. Mr Watkinson denied receiving government instructions to

government instructions to keep the increase under 9 per cent, saying only: "Whitehall always gives us advice." Rail union leaders will consider the offer later this week. Both sides are been to avoid a repetition of last year's series of damaging one day strikes and it is likely the offer will be accepted. Talks offer will be accepted. Talks on a self-financing reduction in working hours from 39 to

Mr Jimmy Knapp, general secretary of the NUR, the largest union, refused to say whether the offer would be recommended but stressed that the unions were anxious to reach a negotiated settlement. Mr Watkinson said he "was hopeful" of

Gas carrying charges cut

British Gas announced cuts of up to 40 per cent in its charges for carrying competitors' gas through its pipelines, in a bid to open up the industrial gas market to

competition.
The move is a sign of British
Gas's belief that it will have
to surrender some of its industrial gas market in order to persuade the regulatory authorities to ease the present restraints on it.

Construction outlook worse

The outlook for the UK construction industry, beset by high interest rates and falling private sector demand, has worsened since the end
has worsened since the end
of last year according to one
of the industry's horemost
forecasting bodies.
The National Council of
Building Material Producers
horemat that UK construction
output was likely to fall by
6 per cent this year and by

0.5 per cent in 1991.

Money supply beyond target

UK money supply continued to grow well outside the target range set by the government last month.

There was a provisionally estimated 6.3 per cent rise in M0, the narrowest money aggregate, in March from a year earlier on a seasonally adjusted basis, the Bank of England said. This compares with a 12 month rise of 6.4 per cent rise in February. On a menthly basis, M0 rose a seasonally adjusted 0.2 per cent in March, slightly less than expected by the markets.

MO, or narrow money which consist mainly of notes and coins in circulation - is the only aggregate for which the Treasury sets a target.

Savings down The inflow of savings into the building society home loans and savings industry fell last mouth despite a rise in interest rates.

Figures published by the Building Societies Association restricted by that the building Societies Association restrentes a short that only

yesterday show that only £363m of net new savings flowed into the societies in March, compared with £383m in February. The March figure was the lowest so far this year. Mr Mark Bolent, Director-General of the **Building Societies Association** said the disappointing inflow of funds was partly caused by the slow-down in housing

market activity.

"The amaller number of transactions that are taking place in many regions of the country at lower prices than was the case a year ago is inevitably leading to fewer and smaller lump sums released by 'last time sellers' and available for investment in societies." Mr Boléat said.

Thatcher visits Gallipoli

The Prime Minister flies to Turkey tomorrow to pay homage to the thousands who died at Gallipoli in the bloody campaign against Turkey in

It was Winston Churchill's disastrously executed plan to destroy Germany's allies, the Turks, and to bring the First World War to a dramatic and spring the construction. swift conclusion.

Political and military leaders from Britain, Australia, France, New Zealand and Turkey, and envoys from Canada, India, Pakistan and West Germany are expected to commemorate the campaign on Wednesdsay.

Jobs to go at musuem Natural History Museum employees yesterday reacted furiously to the news that 100 jobs will be cut in the next two years. The staffing reductions form

corporate plan for 1990-95, approved unanimously by the Trustees last Wednesday, which takes account of likely which takes account of many further cuts in government funding. Dr Neil Chalmets, the director of the museum, urged the government to grant \$4.4m above what they have already indicated for the next five years, to avoid a cut in

geri

coal

grant in real terms.
Scientists reacted furiously
to the news, which entails a
15 per cent cut in the scientific
staff. The Institute of sionals, Managers and Specialists said that individuals were told the news yesterday morning by department heads with "no prior warning or consultation". Union representatives were barred from attending these

A meeting of all the employees' organisations involved will decide on further action at 10am this morning.

Commons TV voted success

Televising the House of Commons has been "more successful, more quickly" than broadcasting companies dared to those, MPs were told

to hope, airs were com-yesterday.

Arrangments similar to
those currently in place should
continue for another year
before being replaced by a
permanent structure,
broadcasting representatives
told the Commons' select

Retailers may face 'green' rules for packaging goods

RETAILERS MAY be forced to package their goods in environmentally friendly ways, as a result of a review of green poli-cies now being undertaken by

the Government. Government departments and agencies could also be obliged to make much greater use of recycled materials fol-lowing the review, which will culminate in a White Paper on the environment in the

These early insights into the contents of the White Paper were given yesterday by Mr David Heathcoat-Amory, an Environment Minister, in a procedure to the Winsper Figure 17 in a procedure of the Minister in a procedur speech to the Financial Times conference on industry and the environment.

Mr Heathcoat-Amory said the Government was con-cerned about excessive packag-ing. "Several large retailers are auditing their packaging of products, but in our white paper we may have to go further and consider controls unless many more volunteer to go down that road," he told

conference delegate The Minister later gave examples of the type of obliga-tions which might be laid on retailers and the packaging industry. These included:

By Alison Smith

TACTICS used by the "pro-life" lobby provoked complaints from MPs on the final day of

lobbying before tonight's decision in the Commons by MPs about the law on abortion.

The source of their concern were plastic models of a 20-week old foctus that were sent to each MP at the weekend by the Society for the protection of Unborn Children.

Mr. Frank Dobson, the grows.

Mr Frank Dobson, the oppositon Labour MP for Holborn

and St Pancras, said that it was "grossly offensive and upsetting" for MPs' staff to receive the models, and called for the organisation to be repri-

manded by Mr Bernard Weatherill, the Speaker.
And Mr Roger Gale, the Conservative MP for Thanet North,

described the move as "appall-

ing" and "idiotic."
Mr Christopher Whitehouse,

the SPUC society's press offi-

House of Commons

'Offensive' foetuses

tactic angers MPs

material in cardboard boxes. The use of more green bot-tles, rather than clear bottles, for drinks to deal with the

◆ A ban on the use of more than one type of plastic in bot-tles, which would make recycl-

Mr Heathcoat-Amory warned that the Government would be forced to act if the packaging industry did not introduce such changes voluntarily. "We want the industry to realise that the total laissez faire situation in packaging may have to end," he said.

The Ministry also displaced.

The Minister also disclosed that the use of recycled materials by Government agencies was likely to be discussed in the white paper.

"The Environment Department already was recycled."

ment already uses recycled paper, but why can't every other Government department do so?" he asked.

One problem to be overcome was the inappropriate quality standards used by some Gov-ernment purchasing officers, the Minister said.

the armiser said.

For example, the British Army would be able to make much greater use of recycled fibres in its uniforms if specifi-

any secretary was upset by the model "but this does rather prove the point that the child

of 18 weeks is recognisa-bly ... and unmistakenly

MPs face hours of voting will

have to vote into the early hours of tomorrow morning on more than 20 possible changes to the 1967 Abortion Act. The long hours of voting on a series of amendments may

favour the pro-life lobby, which has organised itself with teams of whips to ensure that it is

able to can keep its supporters at Westminster and voting in the right lobbies until all the

decisions have been taken.

The votes on the maximum time limit for abortions will start at the two extremes of 18

weeks and 28 weeks (the cur-

rent limit), then 20 weeks, 26 weeks, 22 weeks and then 24

weeks, in what has been called

The 'phone box' we refer to is a Boeing 747.

The telephone inside it is our new satellitebased 'Skyphone.'*

To use, Skyphone is much like an ordinary phone. You simply pick it up and dial anywhere you like in the world.

In truth, of course, it's anything but ordinary. For a start, its lines of communication are different.

All speech is first converted by a British Telecom voice coder into digital speech.

Then it's compressed for transmission via a satellite into British Telecom's international direct dial network.

The benefits to business are obvious.

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By flashing data every few seconds, Skyphone can keep ground maintenance crews

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And it surpasses even radar in keeping ground control permanently in touch with an aircraft's location.

Skyphone didn't happen overnight.

It took massive investment and years of research and development.

But we think it's been worth it.

Many overseas manufacturers, for example, developed voice coders. But it is ours that was adopted as the world standard by the Airlines Electronic Engineering Committee.

Of course, Skyphone isn't the only project we're working on.

But it will be the first worldwide satellite communication service of its kind in existence.

Evidence enough that for British Telecom. the sky is clearly not the limit.

Labour protests at report of racial choice in schools

By John Mason

THE Opposition Labour Party yesterday protested strongly over reports that the Government is to allow race to be a legitimate factor in parents' choice of school for their chil-

Mr Mr John MacGregor, the Education Secretary, was reported as agreeing to allow that a child at a school in Cleveland, north east England, could be transferred to another

school on racial grounds. Mr Jack Straw, the Labour Party's education spokesman, said this would amount to a change in Government policy following a statement by Mr Kenneth Baker, the former Education Secretary, when piloting through the Education Reform Bill, that the Government abhored racial discrimi-

Mr Straw said this assurance was taken to mean that paren-tal choice could not be exer-cised in a racially discriminatory fashion.

Such a move also clashed with the Race Relations Act which such moves on racial grounds illegal, he said.

Government puts How British Nuclear Fuels won the VEW contract off privatisation of coal industry

THE COVERNMENT has significantly altered its time-table for privatising the British coal industry because of uncertainty about its future business prospects throughout the rest of the 1990s.

Until recently, it was committed to selling British Coal early in the next Parliament if it won the next general elec-

The Department of Energy, however, said yesterday that Britain had informed the European Commission that coal would not be privatised until the middle of the decade, two or three years after the next

ommons Ty

oted success

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or three years after the next election.

The re-scheduling is due not only to the need for complicated legislation. It also reflects the fact that the recently concluded contracts with the privatised electricity industry, British Coal's principal customer, are for only pai customer, are for only-three years and that negotia-tions on subsequent sales are not likely to begin for at least

another year. British Coal, meanwhile, is preparing to confirm that thou-sands of additional jobs will be keep its sales with the UK's privatised electricity industry. The issue is expected to be referred to in a statement on the future of the industry being discussed between Brit-iah Coal executives and the

Department of Energy. The past year has seen the number of Britain's collieries drop by 13 to 73, and the total workforce fall by 18,000 – from 105.000 to 87.000.

The rundown is expected to continue in the early 1990s. In December, a British Coal offi-cial forecast a fall of 15,000 jobs over the next three years.

That is expected to be the prelude to more losses in subpreside to more coses in successful years as the power stations move progressively away from British coal to imported coal and natural gas.

With little left of older pits in Wales and Scotland, that offers a bleak prospect of redundancies not only in the Yorkshire area, heartland of the National Union of Mine-workers, but in the Midlands and Nottinghamabire coalfields manned by the moderate Union of Democratic MineBritain's nuclear power company aims to expand business with oversea contracts, writes David Fishlock

spent nuclear fuel is a long term business, British Nuclear Fuel's latest overseas contract, to be signed in Lingen, West Germany, today, is for reprocessing capacity in the decade beginning 2004. The decade before

- from 1993 to 2003 - is already booked up. Reprocessing spent fuel is BNFL's principal business. Its customers want guarantees that their highly radioactive spent fuel will be taken care of

or decades ahead.
The man primarily responsible for winning the £225m contract with West German power group VEW is Mr Neville Chamberlain, 50, appointed chief executive of British Nuclear Fuels by Mr Christo-pher Harding, the chairman, in

In Mr Harding's view, he has "ability, great vision, commer-cial experience and a very dif-ferent attitude from some of the BNFL executives". Mr Harding also wanted a chief executive young enough to see some of the long-term decisions come to fruition.

Mr Chamberlain has no doubt about the vital impor-tance of reprocessing to the nuclear industry - and not just for BNFL's own fortunes.
"I do not foresee nuclear power maintaining its existing position as a world energy

HE reprocessing of source, let alone taking a spent nuclear fuel is a greater role, without an excellent greater role, without an eco-nomically viable and publicly acceptable reprocessing indus-

> Reprocessing, Mr Chamberlain says, is the only proven and dependable way of managing the back end of the fuel cycle - the irradiated fuel elements once removed from the reactor. Reprocessing is a series of chemical operations that separates spent fuel into re-usable fuels (uranium and plutonium) and a small amount of radioactive waste. Uncertainties about the tech-

nology and its costs for oxide fuels - the kind used today by most commercial reactors - are diminishing rapidly with progress at the latest French reprocessing plant at La Hague, UP-3, which came on-stream late last year; and with progress in completing BNFL's new plant at Sellafield, At Sellafield, the £1.85bn.

thermal oxide reprocessing plant (Thorp), which started life with a public inquiry in 1977, and began construction in 1985, is scheduled for operation in 1993. But Thorp's first stages, receipt and storage of spent fuel, are in service. Mr Harding sees Thorp as "a ahowpiece of British construc-tion at its best". Thorp's design

and construction has been financed by an arrangement

Aiming for Europe: Harding and Chamberlain at BNFL

with its enstowers - power companies - who pay BNFL to reserve storage space for their spent fuel, which will then be reprocessed during the first ten years of its working life,

Because of considerable political as well as technical uncertainties when the project began, these contracts were cost-plus, although customers still had to be convinced of the

justice of every increase required by BNFL. Overseas customers also agreed to take back their share of highly radioactive wastes, under an agreement backed by their gov-All 7,000 tonnes of planned

reprocessing capacity for the decade have been reserved by companies in the UK, Western Europe and Japan. BNFL is now negotiating contracts for reprocessing during the second decade, 2004-2013.

These are fixed-price contracts at a cost per tonne considerably lower than for the first decade, because Thorp will have been amortised.

The opportunity for substantial new orders from West Ger-many opened last spring when the German power industry, faced with runaway costs for its own reprocessing project at Wackersdorf in Bavaria, began talks with the French to undertake the work instead. West Germany is more

heavily dependent on nuclear power than Britain, about 40 per cent of electricity supply compared with 20 per cent. It compared with 20 per cent. It also has a law requiring nuclear operators to show they have made provision for disposing of spent fuel, before they get a licence to operate.

Mr Chamberlain, alerted by word of a French offer to build a jointly owned from coessing.

a jointly-owned reprocessing plant in France for the German companies, composed an alter-native BNFL offer. This offer undercut the French proposal but asked for an Anglo-German agreement on turning the plutonium by-product into fresh reactor fuel. Mr Chamberlain wanrs BNFL to enter the inter-national market for mixed-ox-

Initial hopes last summer

that BNFL might win quick contracts were thwarted while operators were obliged to demonstrate they would still be complying with German law. The operators also re examined alternatives, such as long-term

storage of spent fuel.
Mr Chamberlain is convinced that nuclear energy must become a fully interna-tional business, with multi-national ownership, if it is to achieve stability. He points to the way the once politically controversial process of ura-nium enrichment has been stabilised by the multi-national operations of the Anglo-German-Dutch group Urenco backed by inter-governmental agreements. BNFL has a one-

third shareholding in Urenco.

BNFL faces a stagnant domestic nuclear demand for the rest of this decade. For growth, Mr Chamberlain is looking overseas. Last month it set up International Nuclear Fuel, a vehicle through which to expand internationally.

This subsidiary, seen by Mr. Chamberlain as "our passport to the future," will separate the international nuclear business from essentially domestic

Mr Chamberlain wants to see BNFL's overseas business expand from its present 20 per cent of the group's overall end of the century.

UK-US route provides biggest absolute profit

Inquiry call over **British Telecom** international profits

By Hugo Dixon

THE LABOUR Party yesterday accused British Telecom of "blatant profiteering" and called on Mr Nicholas Ridley, the Trade and Industry Secrethe Trans and Industry Secretary, to refer its international calls pricing policy to the Office of Fair Trading.

The call followed the disclosure in yesterday's Financial Times that BT was earning a

profit margin of nearly 60 per cent on international calls. Labour said British business was being badly hit by excessive charges for international

Separately, the Telecommunications Managers Association, which represents large business neers, acrosed BT and Mercury Communications, its smaller rival, of overcharging by sending faulty bills.
Mr Nigel Griffiths, Labour's

consumer affairs spokesmai said in a statement. The world is shrinking and business orders become more and more dependent on international communications. These excessive prices are eventually passed on to consumers, thus forcing up the cost of goods and services." The DTI said there was little

point in referring international phone charges to the OFT at this stage because the Office of Telecommunications, which has specific responsibility for regulating the telecommunications industry, had recently launched its own inquiry. It said it was waiting for Oftel's report and would try to act on

any recommendations it made. The FT article, based on a confidential BT document. showed that international calls generated profits of £445m from revenues of £770m in the year to March 31 1988. The biggest absolute profits were earned on traffic between the UK and the US, where revenue of £192m produced profits of £121m, a 63 per cent margin. The highest margin, 79 per cent, was on the UK-Israel route which earned profits of ten from revenue of 19m.

BT, which admitted at the weekend that its margins were "pretty good," said yesterday it had no further comment to

had no further comment to make on its profit margins.

The TMA's accusations were based on a survey of its 800 members in late 1989, to which 118 replied, of whom 87 per cent said they had been overcharged by BT during the previous year. The survey also argued that Mercury's billing assisten was not infallible – 42 system was not infallible - 42 per cent of its customers said

The TMA said: "The lack of confidence in the accuracy of these bills is now so widespread that the investigation and correction of errors is absorbing a disproportionate amount of management effort. We dread to think what the cost of this is to the UK plc effort where, in many cases, scarce senior management resource is now focussed on challenging the mistakes of a supplier rather than moving

their own companies forward.
"There cannot be many other suppliers who would be permitted to perpetrate this level of inaccuracy in billing." BT said the survey was unscientific, highly misleading and weak on facts. It said it took complaints about bills seriously and was in the pro-cess of improving its billing

Iveco-Ford workers start strike

By Diane Summers, Labour Staff

AN all-out strike by 1,100 truck assembly workers at Iveco Ford, a joint commercial vehicle subsidiary of Ford of the US and Fiat of Italy, began yesterday following the rejection by unions of a two-year and Managament said. pay deal. Management said there were no plans for further

The offer was for 9.25 per cent back-dated to November 1989 in the first year, plus an unconsolidated £150 bonus. The second year would have given 8 per cent or an increase equal to inflation. The company had also been trying to get more flexibility into its

Unions have been looking for at least parity with work-ers at Ford's wholly-owned plants, who this year won a

10.2 per cent increase.

The company reduced the working week to four days in January and three days in March as a "very short-term measure to optimise stock" after following a 25 per cent decline in the UK truck market in the first quarter of the

At the end of last month the week was extended again to five days so that stocks could be built up to cope with any industrial action.

UK spends £2m on aid to Poland

By Rachel Johnson

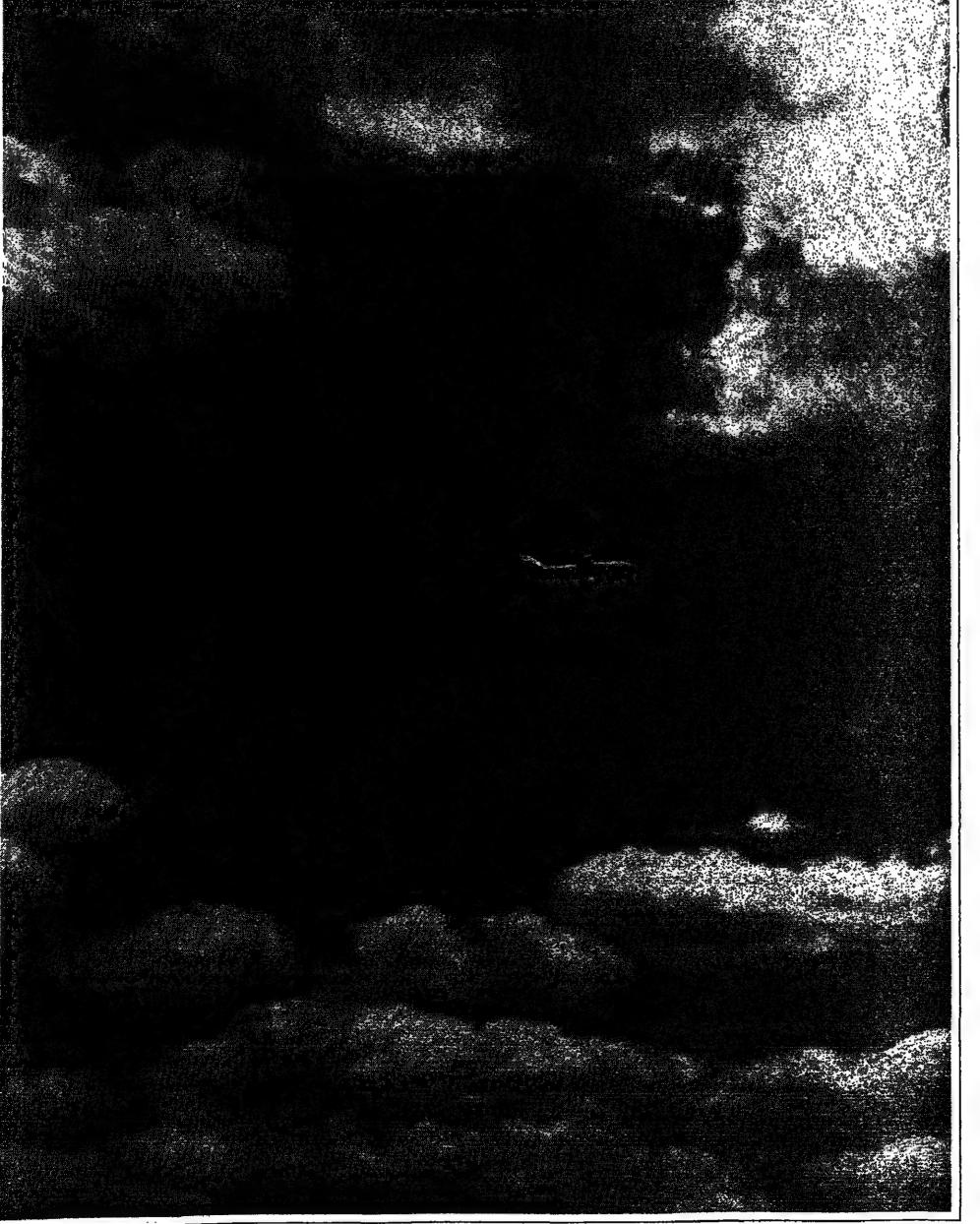
THE UK spent 52m on aid to Poland in 1989-1990 and is about to begin spending on Hungary, the Treasury announced yesterday in its clearest summary yet of eco-nomic aid to Eastern Europe. In its Economic Progress Report, the Treasury published full details of the UK's finan-cial assistance to Eastern Europe and the current state of the "know-how" fund - launched by the UK Government last year to give emerg-ing democracies advice, man-

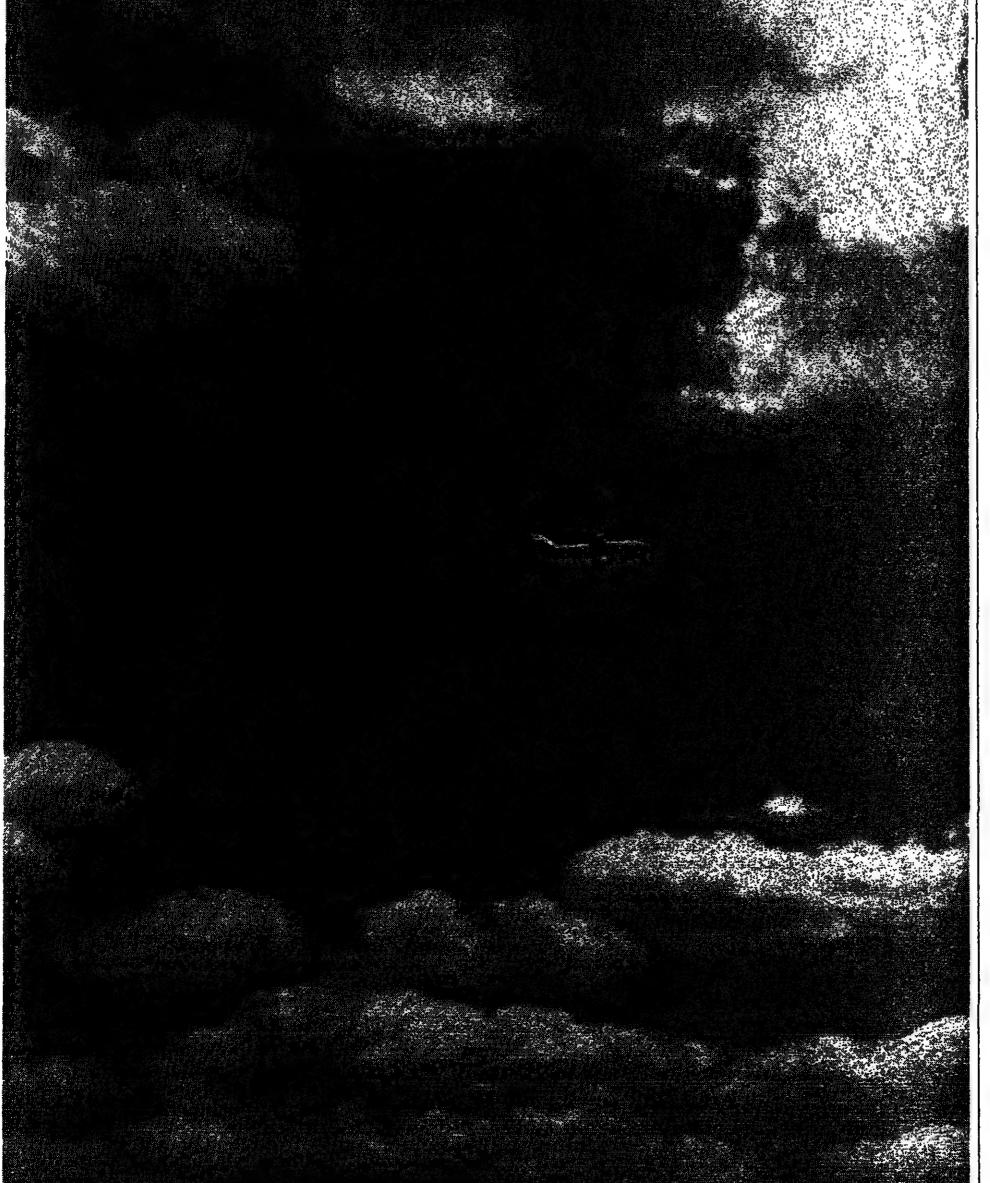
agement and financial training. The know-how fund has grown from a starting size of \$25m to an existing provision of £75m for Poland and Hungary over the next five years. Poland was the earliest recipient from Western aid, the Treasury explained, because of its size, needs and the fact that it made the earliest start in political reform. Poland is to receive £50m, and Hungary

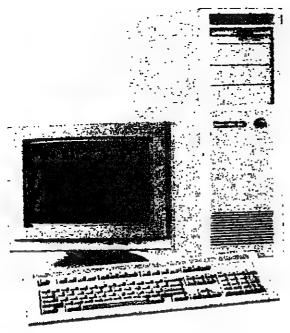
£25m, of the funds. Aid for Polish agriculture is to total £15m in 1990-1991, and the UK is also to contribute over £60m for the country's

stabilisation fund.

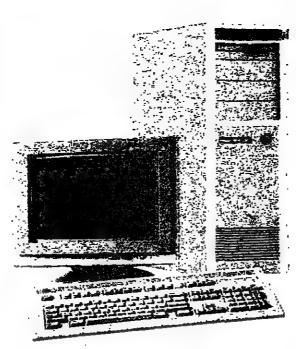
In Poland, more than half the allocation for spending is for banking and finance, management and accountancy and macroeconomic advice.







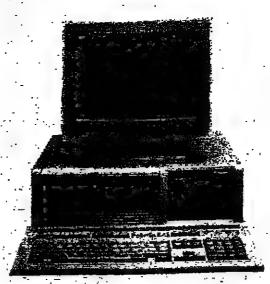
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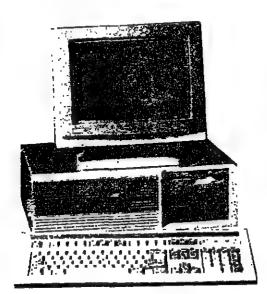
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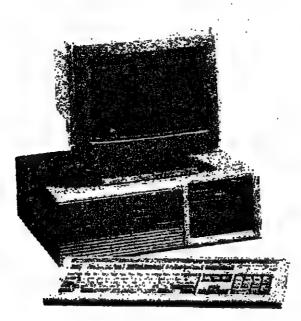
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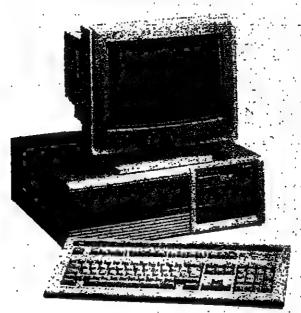
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AST Premium 386/33



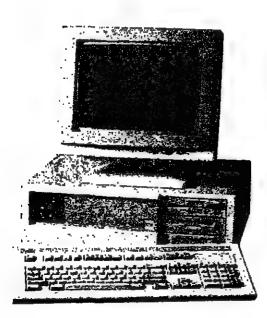
AST Premium 386/25



AST Premium 386SX/16



AST Premium 386C



AST Premium 286

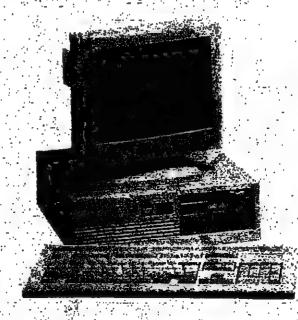


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what will these new environments look like? In the
next three to five years, many analysts predict a
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with this trend is the acceptance and growth of personal coroperating systems. The proliferation and market share of
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APPIL 24 Marie

FT LAW REPORTS

Digest of Hilary Term cases

FROM FEBRUARY 20 TO MARCH 7

THE KANCHENJUNGA

(FT, February 26)

The main issue in the House of Lords appeal was whether the owners had waived their right not to comply with the charterers' orders to proceed to Kharg Island after hostlities started in the Iran-iraq war. The owners had complied with the orders to the extent that the vessel proceeded to the unsafe port, gave notice of readiness, but then, the master having tasted danger, had persuaded owners not to load. The crucial question therefore was whether the owners, before the vessel sailed away; had by their words or conduct, precluded themselves from rejecting the charterers' nomination as not complying with the contract. THE KANCHENJUNGA as not complying with the con-tract. By their actions, in asserting that the vessel was available to load and that lay-time had started to run at Kharg Island, the owners, waived their right to call for another nomination, it was

> BHITISH COAL CORPORATION # CHEESBROUGH

(FT, February 21)
For the 12 weeks immediately preceding his redundancy, british Coal proposed to make a redundancy payment to Mr Cheesbrough. Its calculations were made on the basis that in order to arrive at his "average hourly rate of remuneration for the purposes of paragraphs 3 and 5 of Schedule 14 to the Employment Protection (Consolidation) Act 1978, the only adjustment to be made to the figure of his total remuneration divided by total hours worked in the 12 weeks was the deduction from actual remuneration of the 50 per cent overtime premium. Mr Cheesbrough challenged British Coul's construction of Schedule 14 and its method of calculat-14 and its method of calculating his redundancy pay. Bismissing his appeal, the House of Lords (by a majority) held that on the true construction of paragraph 5(2), the calculation of the average hourly rate of remuneration was in all cases to be made simply by educting any element of overtime premium from actual remuneration:

NEW HAMPSHIRE. STRABAG BAU AG (FT, February 28) In 1981 Strabag contracted to

construct Basrah airport and entered into an insurance policy with New Hampshire through brokers who dealt with the leading underwriters in England. After paying a variety of claims, New Hampshire sought to avoid the policy and served a with on Strabag out of the jurisdiction.

hag out of the jurisdiction. Strabag issued a summons which sought to strike out the proceedings on the ground that the action had been improperly brought contrary to the Civil Jurisdiction and Judgments Convention by articles 2.7 and 11 and section 2. Accepting their argument, Mr Justice Potter stated that on the face of those provisions, as an insured those provisions, as an insured sued by an insurer and as a defendant domiciled in West Germany, it might only be sued in West Germany. An sued in West Germany. An express choice of law clause was needed to invoke article 35 which was a transitional provision for a contract before the Convention came into force but, under it, the parties would have had to agree in writing that the contract was governed by UK law for the UK courts to retain the right to exercise invisition.

HARRIA V HAMMERSMITH AND FULHAM BOROUGH COUNCIL AND OTHERS

COUNCIL AND OTHERS

(FT, February 27)
The auditor of Hammersmith and Fulham Borough Council successfully applied to the ptynional Council authority were inlawful. The banks appealed and in dismissing their appeal, the Court of Appeal stated fliat if a swap transaction was by way of interest rate risk management, a local authority was empowered to enter finto it; if it was not by way of interest rate risk management, a local authority was empowered to enter finto it; if it was not by way of interest rate risk management, but was by way management but was by way of trading the authority was not so empowered. The court was satisfied that all the transactions to which the challenged thems of account related up to July 1988, were tained with the improper purpose of trading. However, the council's purpose in transactions after July 1988 was radically different from what it had been before. If a local authority had unwittingly said in good faith succeeded its powers, but with good reason was uncertain whether or not it had done so, it had implied power for such period as it reasonably took to

resolve that uncertainty and to limit and reduce the loss which its earlier conduct might cause ratepayers or community charge payers.

BEKRELET ADMINISTRA-

TION INCORPORATED AND OTHERS + AIDEN C McCLEL LAND AND OTHERS (FT., February 28)
At first instance, the judge refused by order security for costs against the plaintiffs, resident abroad, on the grounds that Order 28 rule 1 of the Rules of the Supreme Court offended against article 7 of the Treaty of Rome. Allowing an appeal by the defendants, in Walt Wilhelm [1979] ECR 1 the European court ruled that article 7 was not concerned with disparities in treatment article 7 was not concerned with disparities in treatment resulting from divergences between the laws of member states, as long as they "affect all persons subject to them, in accordance with objective criteria and without regard to their nationality." On the backs of that ruling, Order 23 rule 1 did not offend against article 7. All persons suing in English courts were subject to the rules of procedure of those courts of procedure of those courts irrespective of nationality as Order 28 applied the objective criterion of residence.

IN RE KABYSHIKI (FT, March 2)

The area of dispute in the present case was whether, for the establishment of a priority date of a product, the priority docu-inent had to contain an "enabling disclosure" — ie, whether it had to contain suffiwhether it had to contain sum-tient information to enable someone else to produce the product. Answering the ques-tion in the affirmative and dis-missing the appeal, the Court of Appeal stated that under both the Act and the Conven-tion a patent application might be filed without the enabling disclosure (see section 15 and be filed without the enabling disclosure (see section 15 and article 80). The application would take its priority from the original date of filing, provided the deficiencies were made good within 12 months. The application could not, however, be published until amended to include claims. The date of filing a patent application which cave it priorapplication which gave it priority under section 5(1), might be a date at which, under section 15(1), the specification was incomplete and did not include an enabling disclosure.

ITALIA EXPRESS

(FT, March 6)
The plaintiff stought an order that the defendant, a representative underwriter serve a further and better list of docu-ments in his possession or in the possession of the under-writers that he represented. Refusing the application, Mr Justice Saville stated that it was clear from Order 24 rule 3 of the Rules of the Supreme Court that the court only had of the Rules of the Supreme Court that the court only had power to order a party to proceedings to make discovery. It was clear from Order 15 rule 12(iii) that represented persons were not parties to the proceedings. Moreover, legal professional privilege could be claimed for documents not previously in the possession of a party to actual litigation and which had not come into existence for purposes of the litigatence for purposes of the litiga-tion but had been obtained by his solicitor for that purpose.

REGINA V LONDON BOR-OUGH OF RICHMOND, EX PARTE MCCARTHY & STONE (DEVELOPMENTS) LTD (FT, March 7)

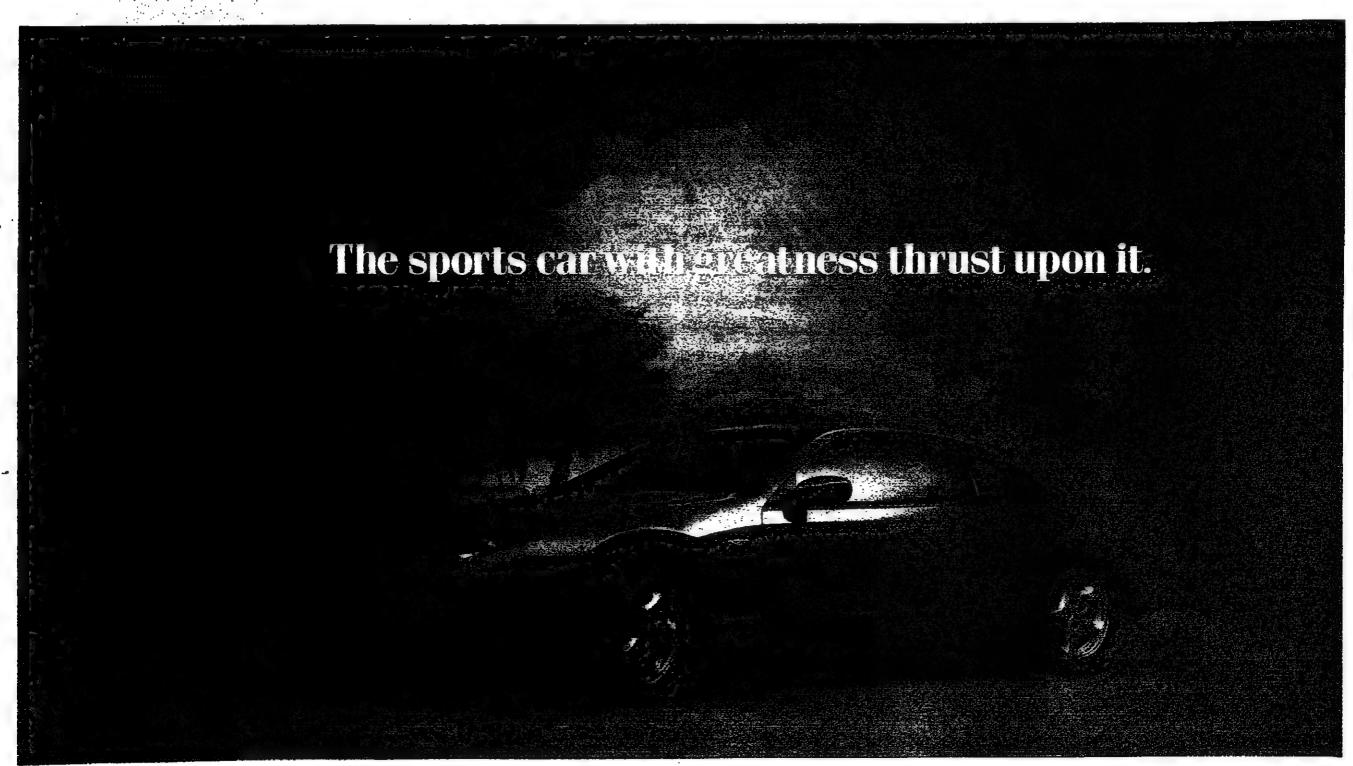
The developers sought the informal views of officers of the planning authority for their proposals to redevelop a site within the borough. The council charged a fee for this service in accordance with a resolution passed a year ear-lier. The developers paid the fee under protest and then sought judicial review to quash the council's decision. Their appeal against the application for judicial review having been refused, the Court of Appeal refused, the Court of Appeal stated that the legislature had specifically conferred on planning authorities neither a duty nor a power to give pre-appli-cation advice. The power to cation advice. The power to give such advice was itself merely a subsidiary power, enjoyed by the local authority by virtue of section 111(1). It arose simply because it was "calculated to facilitate" or was "conducive or incidental to" the discharge of its planning functions, and was thus within section 111(1). All that the council was doing was statwithin section 11(1). All that the council was doing was stat-ing, on a take-it-or-leave-it basis, that it was willing to enter into a pre-application consultation arrangement if, as part and parcel of the arrange-ment, it was paid a stated rea-sonable fee by way of reim-

Aviva Golden

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Showered with praise, heaped with plaudits, the motoring press welcome the new 300ZX. ... The posing power of an Italian exotic ..." (Autocar & Motor)

A beautifully proportioned, breathtaking design blending controlled aggression with purity of line.

You're immediately booked, seduced by its scorching performance and brilliant handling . . .* (Car)

The 3 litre, 24 valve, twin turbo engine rockets the 300ZX from 0 to 60 in just 5.7 seconds and on to a governed top speed of 155 mph; while

the computer controlled SUPER HICAS 4 wheel Steering ensures the car responds instantaneously to your every touch.

*Style and furnishings of the interior are superb. . . . (Fast Lane) The scooped-out cockpit incorporates a wealth of standard equipment including air conditioning. sound system with CD player, electric windows. cruise control, removable T-bar roof and optional leather upholstery.

"Nissan has just created a whole new culture...." (World Sports Cars)

The 3002X, a unique marriage of distinctive styling, dynamic performance, and state-of-the-art technology. For once the motoring press are united in their praise . . . when it comes to producing a sports car in the classic tradition, Missan know how.



TECHNOLOGY

urope's fastest-growing biotechnology research and development company, British Bio-technology, has cleared the first big hurdle in its quest to become a fully integrated pharmaceutical company. After four years of research, it has determined which of its ideas will enter the expensive development phase - £15m or more per drug - and which will be shandoned.

Clear goals all the way along the track are critical to the effective management of drug development," says Keith McCullagh, British Bio-technology chief executive. His target depends on the demands of drug regulatory authorities. "It keeps you focused. People have

McCullagh and Brian Richards, British Bio-technology's founding scientists, are former research managers of pharma-ceuticals manufacturer G.D. Searle. After Searle's UK laboratories were sold to Monsanto in 1985, McCullagh and Rich-ards sought £2.5m from the City to back their prospectus for a company to invent "sec-ond-generation" genetically engineered drugs, intended to leapfrog those already in development by earlier biotechnol-

opment by earlier hiotechnology ventures.
Set up in the shadow of the Austin Rover factory at Cowley near Oxford, British Biotechnology today has a staff of 180, of which 120 are engaged in research. Another 12 are working on drug development,

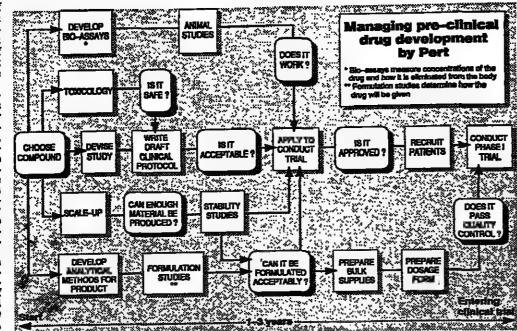
with plans to expand to 75. Two further financings have raised £30m for development and pilot production of British Bio-technology's first drugs, and the company is completing a 23.5m pilot plant to make kilogram quantities. It has four prospective products expected to enter trials this year. The company has British, US

and Japanese shareholders. "We have learned from the mistakes we made in our earlier biotechnology investments," says a shareholder. One mistake other companies made was to adapt their strat-egy to the results of research, says McCullagh. If an idea for a drug failed to achieve the efficacy sought in a particular situation, the tendency was to look for other uses for the substance. "Drop it" is his uncom-

promising advice. Many research managers say their most difficult problem is abandoning projects. Senior staff of British Bio-technology gathered to decide which proects had failed tests of efficacy and/or safety. One was a tissue growth factor they had hoped

David Fishlock reports on British Bio-technology's approach to managing its development programme

Survival of the fittest drugs



would promote faster rates of wound healing. It was judged insufficiently efficacious to off-set the daunting complexity of clinical trials that satisfy the

regulatory authorities.

But another growth factor survives as a prospective agent for promoting bone repair and for treating the bone-wasting for treating the bone-wasting disease osteoporosis. The company believes it has both efficacy and a clever patent advantage, McCullagh says.

They also abandoned a prospective AIDS drug even though their scientists could show in laboratory cultures.

show in laboratory cultures that it stopped replication of the HIV virus. Development would have demanded a huge financial commitment, in a field where there are major players. "It just got too hot," says McCullagh. Another mistake made in the

early days of biotechnology was to think that genetic engineering offered a way of short-ening the R&D cycle. Because the targets were often geneti-

small quantities in the body, such as interferon or growth factors, it was argued that the regulatory authorities would be less demanding. "What people failed to realise is that if you give a natural substance in an unnatural way it's instead an unnatural way, it's just as much of a regulatory problem,"

Richards says.

Nevertheless, he thinks British Bio-technology can cut the cost of drug development sig-nificantly – perhaps by a fac-tor of two – compared with the big multinational pharma-ceutical groups and their sprawling R&D sites scattered across several countries. Instead of building big teams in-house to conduct phase 1 trials (in healthy volunteers) and phase 2 trials (in volunteer patients), it plans to sub-con-tract these trials to laborato-ries specialising in such tests, of which the UK has several. Its own small development

team will provide the protocols and manage the trials. Similarly, the company plans to sub-contract the develop-ment of the manufacturing process, although it aims to undertake enough science in-house to keep in touch with

the chemistry."
To manage its drug development strategy the company is using the programme evaluation and review technique (Pert), first developed in the US to manage big military devel-opments. Its Pert critical path diagram (see above) for the development stages of a drug specifies "sverything down to printing the labels," claims Richards. Progress is being reviewed every two weeks and the schedule updated monthly. "We know very quickly if any-thing slips."

For a typical drug, decision points on the diagram ask whether it is sufficiently nontoxic, whether it is therapeutically useful and whether they know how to make enough of it. Failure to meet any of these targets could put the development in jeopardy.

Richards claims that the

company will be able to mobilise development resources more efficiently than big drug companies and carry out devel opment more cheaply. The challenge will be to spot those drugs which will not achieve the target as early as possible,

before they cost too much. British Bio-technology estimates the costs of developing a new therapy for registration in

Pre-clinical development (including research) £3m Phases 1 and 2 trials Phase 3 trials* and registration (taking two-three years)

Underlying pharmacy. analysis, etc. £2m-£3m Total about £20m Final stage, where the drug is tried on enough patients to satisfy regulatory authorities.

Phase 3 trials, at about £1,000 per patient to meet European regulations, have obliged the managers to set a limit of having no more than two major new pharmaceuticals in phase 3 trials at the same time.

Does detailed management control of this kind constrain inventiveness? Richards, who spent 14 years as an academic scientist before joining Searle, says it is a common opinion in universities that directed R&D of this kind is confining. He contends, however, that it is not Academics are also wrong in believing that while arch is creative, "anyone

can do development."
While British Bio-technology does not attempt to control research by using Pert, the company does set criteria by which it can evaluate progres of each of its research projects. Moreover, John Gordon, arch director, reviews each

project every six weeks.

For a biotechnology company, it also has an unusually big research team devoted to medicinal chemistry. As McCullagh points out, the 600-odd drugs which achieved worldwide sales exceeding £125m each in 1988 are compounds of small molecular weight, intended to be taken orally, and made by chemistry not hiotechnology. Small mole-cules made by chemistry rather than big ones manufac-tured by blotechnology are its

ultimate target.
One further target — some might see it as the most important of all — is for the private-iy-owned British Bio-technol-ogy to go public, at latest by 1993. The precise timing, says McCullagh, depends on the results of its clinical trials as well as the stock market.



WORTH WATCHING by Della Bradshaw

Supercomputer on the road to Rio **PROFESSOR Claudio Amorim** a computer scientist at the Federal University of Rio de Janeiro (UFRJ), and a team of 15 researchers have built Brazil's first supercomputer, writes John Barham.

The machine is a parallel processor made up of 16 nodes. Each node process information simultaneously allowing the computer to carry out heavy duty number crunching faster than conventional maintrame computers.

Amorim says the machine architecture is similar to pararchitecture is similar to par-affel machines developed in Britain by Melko. Each rode contains a transfilter, a sort of enhanced translator, and an Intel 860 chip. Amorito says the architecture can be nded to 2,000 nodes

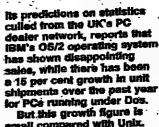
He says that were it not for budget and import restric-tions caused by Brazil's eco-mic crists and interrolastic bureaucratic delays, the UFRJ computer would have been operational last year. The project, funded by the central ment to the tune of \$1m, took two years to com-

utility and the second second

Unix systems: on the rise

COMPANIES buying FCs and medium-sized computer systems in the UK this year systems in the UK mis year will tayour the Unix operating system, rather than Dos or OS/2. That is the conclus of a report from Wharton. Twickenham.

The report, which be



But this growth figure is small compared with Unix. In 1989 total Unix sales hardware, software and services - were worth £1,250m in the UK, a growth of more. than 60 per cent on the 1988 figure. And, predict Whartons the ligure for 1990 could dou-

One reason for the disappointing sales of the OS/2 operating systems, the commy says, is growing fears of incompatibility between software from different software houses.

A convert to small supplies

THE north Devon seaside resort of lifracombe is probably better known to the Japa-nese tourist than the Japanese electronics manufacturer. But it is Japa nese electronics equipment makers that are the first to

use an electronic power sup-ply unit (PSU) developed at the Vistorian resort. PSUs may sound boring, but they are an essential component in computers, tek phone exchanges and industrial process controllers to convert males electricity suppiles into the various voltages needed by disk drives, com-

puter screens or bettery
back-up units.
The advantage of the
Omega PSU, developed by
Coulant Lambda, part of the
Unitech Group, is its size. The manufecturers claim it is just one third of the traditional PSU, so an obvious space-saver in today's ministure electronic equipment. The company has achieved the size reduction by building

the unit in the form of a box, and mounting the various; components on the Inside. Many of the more traditional PSUs favour mounting the components on two boards.

Writing letters to your computer

THE latest West Germa entrant to the personal com-puter market, AEG Olympia, of Withelmshaven, has devel-oped a PC aimed specifically at the technophobic business

The keyboard-shy executive uses a light pen to put infor-mation into the system, writing in capital letters on a table mat-sized pad on the desk. The script appears on the screen, where it can then be converted into different

types of script. This prototype PC, which will run standard IBM packages, can also take in spoken information, and can display incoming fax messages on

A clutch of PC manufacturers from South Korea, usually considered to subcontractors rather than PC manufacturers in their own right, are launching PCs under their own name in the UK. They include Daewoo, Goldstar and Hyun-

Although Korean menufacturers are often viewed as manufacturers of cheap and cheerful products, the PC companies such as Deewoo, of Seoul, are promoting their wares on the ground of quality. Daewoo says, for exam-ple, that less than 1 per cent of its machines were re last year because of faults.

Gentier pick of the potato crop

A BETTER quality potato on the supermarket shelf is the promise of a novel potato har-vester which handles the potatoes more gently than today's agricultural diggers.

The machine, developed by the Scottish Centre of Agriby the Scottish Centre of Ag-cultural Engineering, in Mid-tothian, and sold by Riecam Borselle, of Glessen in the Netherlands, combines two innovations: the first ramoves the potatoes from the ground and the second removes the

Instead of the usual crude spade-like implement that lifts the potatoes out of the ridges in the field, the Pulsar har-vester uses two spinning disce, one on each side of the mound, to toss the cushion of potatoes and earth on to the imachine. Once there, the polatoes are separated from the earth by agitating them from side to side, rai than bouncing them up and down on's vertical metal on — the potato's traditional bumpy ride

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As they leap in the water, dolphins "speak" to one another, using sounds and frequencies that are often too high for the human ear to hear. In the language of physics, the dolphins are employing an acoustic channel to transmit a sonic code, Human beings need even more sophisticated means of communication - systems that can transmit not only words, but images and data as well. That's where Telettra comes in. As an industry leader in advanced telecommunication systems. On five continents, Telettra's engineers are building public and private network systems with the unique Telettra expertise and knowhow. In Europe and Australia. In North and South America. In Africa. Telettra is a global company with sales of over \$1,200 million. And we have another \$180 million in capital investments - to say nothing of 1,800 expert scientists – at work for us to design and build outstanding high-tech systems, including prototypes for the integrated networks of the future. Innovation and global quality to leap every barrier, to improve our way of life. Telettra - Communication in progress.

MANAGEMENT: The Growing Business

t took only minutes for Concorde Informatics replace the small notice board in the canteen at Concorde informatics with a larger one. The simple job nev-ertheless marked both a lesson learned from a searching psy-chological study, and a turning point in the Huddersfield com-

pany's history.
Until then it had run as a loose association of people who knew their work and each other well enough to let internal communications look after themselves. Technical quality and swift service still dominated the company of the service. nated the concerns of the six founder-managers who, in 1985, transmuted the data-processing department of David Brown Corporation, the engineering group, into their own business, with a £100,000 contract.

Total turnover almost dou-bled that sum in the first year, and the payroll increased to and the late of the second sec nine. The corresponding fig-ures for 1987, 1988 and 1989 were £960,000 sales and 11 staff, £880,000 and 13, then £1.65m and 20. "Our turnover target for the current year ending in September is £3.5m," says Bob Steventon, Concorde's 6ft 4in managing director and noticeboard replacer. The payroll's already up to 32."

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of the six founders was information technology, one had qualified as a chartered secretary. "So he dealt with the financial side," the MD adds, "and marketing was something all of us did as we went along. As admin work grew, we took on people who could handle it largely on their own."

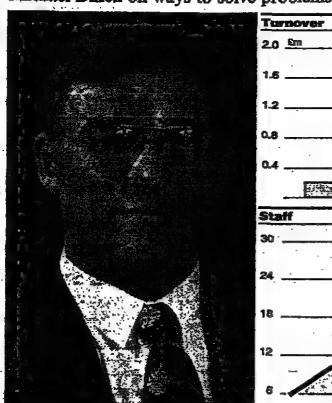
When the payroll neared 20. however, some of the former cohesion seemed to get lost, for example, admin staff clashed with consultant colleagues who, knowing clients well, tended to mingle professional advice with general chat over the telephone, without noting how much of the call should be invoiced as work.

The founders began to sus-pect that there was more to managing people than their common sense policy of show-ing that employees loyal to Concorde's aims could be sure its bosses would be loyal to them. The technical director mentioned the issue to a friend who worked at Huddersfield Polytechnic with Nicky Hayes, a psychologist interested in

organisational cultures. Her experience told her the company was suffering from a problem that besets many growing businesses, especially those run by technical special-ists: "Early on, staff/manage-ment troubles are rare. Every-

When growth needs an ordered structure

Michael Dixon on ways to solve problems caused by expansion



Bob Steventon: a bigger notice board

one's part of the team. Commu-

one's part of the team. Commu-nicating with bosses and col-leagues is done face-to-face.

"But a firm can quickly reach a size where informal links aren't enough. Estab-lished staff keep them up to some degree, although manag-ers are busier and less accessi-ble. On the other band, later recruits feel distant from work-

recruits feel distant from workrecruits feel distant from workmates who joined earlier, as
well as from bosses, and often
neither know nor seek out
information the longer servers
take for granted.

"The need then is for a structure with formal lines of communication. But, typically,
founder-managers don't see it."

Soon Hayes, Steventon and
his technical director were discussing how the polytechnic

cussing how the polytechnic researchers could help to cor-rect the structural flaw with-out weakening the company's commitments to technical

quality and all-round loyalty. An immediate danger was the "us-and-them" partitions formal systems tend to create. The challenge was to ensure that distinctions between Concorde and its competitors were seen by staff as more important than internal divisions. 1987

lear identity.

1988

rather than making a specific

The report outlined a two-pronged strategy to neutralise the threat of us-and-them divi-

sions. Moves to build social cohesion internally needed to

be combined with measures to

mark off Concorde from other

organisations by giving it a

To improve cohesion, the polytechnic team suggested

that procedures be designed so

that administrative, technical

and sales staff met one another

often. But the researchers

believed working-day contacts alone would not be enough.

The interviews had shown

1989

Equipped with the broad plan agreed in the first discusalon, the researchers carried out half-hour interviews with 16 assorted employees before returning to the poly to thrash out their proposals. "We did our best to avoid prescribing anything, because we wanted the company's people to feel they were the owners and not the mere objects of the actual changes," Hayes explains. "The directors helped in that by

that the longer serving staff felt that purely social meetings between employees were frequent. Later recruits saw them distributing our report to everyone working for them.
"Even when we went into detail, we suggested options as virtually non-existent. So the polytechnic advised the directors to promote social

cal quality and all-round loy-alty should be enshrined in a formal statement of values. Another was to pick out incidents in Concorde's brief history that might be assembled into a company "folklore." For example, when it won its first history that might be assembled into a company "folklore." For example, when it won its first history and the contract of the source o

big contract - for £250,000 -Bob Steventon photocopied the cheque and sent a replica to everyone on the payroll. A third identity-builder

events outside of office hours.

A variety of suggestions was tabled for strengthening the company's identity. One was that its commitment to techni-

emerged from the interviews with employees. When describ-ing how their working methods differed from those used elsewhere, several had spoken of "The Concorde Way." The researchers advised that the phrase should be made into the company watchword by using it, for instance, as the title of an internal newsletter. But apart from discussing

the report for an hour and a half with the managing directechnical colleagues, we went away and left them to it," Hayes adds. You see, the poly's aim was to develop a programme for improving staff management that small busies will pay for. Since they count every minute as pre-cious, we couldn't afford to dally. The total working time Concorde put into our inqui-ries was 15% staff-hours."

Bob Steventon, for his pert, thinks the exercise was well worthwhile, especially since, in return for acting as a guinea pig in the development of the pag in the development of the programme, the company was not charged for the polytechnic team's services. "It certainly highlighted an area of management we hadn't previously been aware of," be says.

"Whereas I gave little or no consideration to people issues before, I now spend a good 25 per cent of my time on them. And of the options the researchers suggested, the ones we took up have proved largely beneficial even though not all of them have worked as

we wanted."

An example is the internal newsletter, which the MD is scrapping because it fosters only one-way communication. Instead he is going to set up regular office-hours meetings.

The anlarged notice hours The enlarged notice board, on the other hand, is staying. "That's definitely earned its

keep because, even though peo-ple don't make all that much use of it, at least they don't come to me complaining they've nothing to pin things up on."

Ethnic entrepreneurship

Working in a Chinese way

Catering is no longer an automatic first choice says David Spark

or Winnie Yao, originally from Hong Kong, being in business in the UK is not the fulfilment of an ambition; it is the natural course to take. "Just as children in Britain grow up wanting to be prime minister, we grow up wanting to own businesses," she says.

Chinese people are beginning to apply in Britain the commercial energy which made Hong Kong exhilarating. They are switching from the materials of the commercial energy which made hong kong exhilarating. restaurant trade into other fields. They see hard work as a prerequisite to achieving any business success and suggest that service is the hallmark of

the Chinese approach.

Many however doubt whether Chinese people turn more naturally than others to running businesses. Rather, they feel that traditionally in Hong Kong, the alternatives have been unappetising. Yao, who once worked for

American Express, but now runs a Kall-Kwik print shop in Victoria, London, says that, since she has three young children, she decided definitely not to go into catering. She had no printing experience, but chose it because businesses always need cards, letterheads and sales leaflets. She borrowed money on the established Kall-Kwik franchise name and now invests her profit in new equip-

Her accountant husband, Peter, has joined her full-time and they have a staff of five.

Yao says she has a lot of respect for English business people. I don't think there is a division by nationality in approaches to business. It depends what you want out of life. If you work for someone, you can look forward only to a pension. If hard work is no bother, it is obvious you should own your own busi-

Another advocate of hard work is John Man, a former laboratory technician and civil servant who has launched Britain's first Chinese building society office - based in London's Soho, and operating in association with Britain's biggest society, the Halliax. He had two partners and borrowed money from his mather money from his mother, friends and "anyone who was prepared to listen. It was a hard struggle."

He stresses the Chinese contmitment to hard work. "In the Chinese community, if the company you work for is busy, you stay behind to do the company prospers, you are likely to earn more next year. Whatever field a Chinese per-son is in, he is going to be very much committed to it.

"The way we manage busi-nesses is more on a family basis. The staff would treat us as an elder brother or father, someone to look up to, not simply someone sitting behind a desk in another room.

"UK managers tend to stay where they are. I remember, in the civil service, promotion was very much a case of inhertrain people to manage the building society and open new branches, rather than being just another pen-pusher."

Alex Tien believes another characteristic of Chinese business people is that they are

more aggressive.

Tien helped with a hamburger business while training in Britain as a chartered accountant. He then ran a travel agency in Los Angeles. Now he runs Sevencell, a London clothing importer, for his mother, a former teacher who set up factories making women's wear in Hong Kong and China. Business has trebled in the two years since he

bled in the two years since he arrived.

In Hong Kong, he says, everybody works aggressively "and you are bound to be affected. In Hong Kong they don't have any dole. If you don't work, you don't eat."

It is typical of Chinese business people to work in more than one field. Alex Tien's Sevencell owns property worth a

encell owns property worth a few million pounds while John Man is part-owner of a restau-rant and aims to have one in every European capital. Laurence Lee is a dentist

with a surgery upstairs from John Man's building society. But when he lays down his drill every night at six, he walks round to a basement in Dean Street and becomes sales director at Gees wine ware-house. "I find it very stimulating to go out and meet people and forget all about dentistry,"

"I probably work about 15

can be seeing a client at mid-night. Chinese wives are very tolerant. But Sunday is defi-

nitely free. I am a church-goer, and it's a family day."

Gees is run by Jacky Leung, who arrived in Britain from Hong Kong 11 years ago and spotted an opening for a wine import and delivery service tailor-made for Chinese restaurants. For three years he worked as a chef and his wife as a secretary. They saved to buy a van and some wine.

Leung and Lee have now opened a restaurant in Tottenham; they thought one was needed there that working-class people could afford.
Tony Shang, an ex-Home
Office researcher born in Singapore, is producer/director for Orientations, which began as a community group and now makes a regular Chinese magazine for Channel 4. Starting with a grant from the Commis-

sion for Racial Equality, it made Goodbye Chop Suey, a film advising young Chinese not to work in restaurants.

Shang questions any assumption that the Chinese are naturally qualified to be business mende. business people. He points out that Northern China, where the emperor looked down on traders, produced few. "The majority are from the south, not because they are a differ ent type but because, I think, the way of life was more open

The whole history of Hong Kong is based on trade. A poor man might begin as a coolie or cleaner, make good and start his own business. Only those who went to English language schools had any chance of a white-collar job. For most Chinese families, the choice was between going into business or the sweat shop.

"We also have common traits with the Koreans and Japanese. We don't compartmentalize our lives. We don't say I'm here nine-to-five' but 'I'm part of this enterprise.' 'I am part of this village, family business, rather than an exploited proletarian.

"At Orientations, I feel we all work very hard. Once committed to a project, we know that what we lack in resources and money we can make up for by our own effort and time. We "I probably work about 15 go in to work on Saturday and hours a day, sometimes 16. I Sunday and get the job done."

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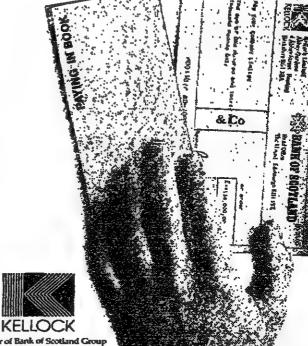
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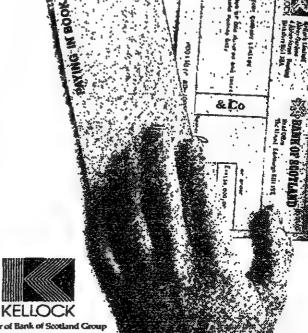
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EDUCATION CY ECONOMIS

Good jokes on thin ice

William Packer reviews current exhibitions in London

"Art: a Poem on the Ice" is the title of a collage in the exhibition, *The End of Words*, that now occuries the corridor and upper galleries of the Institute of Course of Contemporary Arts (The Mail, SWI: until May 27 - supported by Visiting Arts and the Albemarle Gallery). It is one of many such, wry and ironical in concept as in image, in a celebration of the work of the distinguished Czech artist, Jiri Kolar, who is now 75. But this is no simple retrospective, for is no simple retrospective, for the period covered, from 1947 until 1970, is of Czechoslovakia under communism up to the Soviet repression of 1968 and its immediate aftermath.

Kolar is a surrealist, and an intellectual in the classic European sense, avant garde, political, engagé. Surrealism is as literary as it is visual a genre, and Kolar was always a poet, and always worked closely with writers and publishers. He seems not to have suffered undue suppression, able to travel and show his work, at least since the 1960s – how awful that sounds, as though even a little suppression were ever tolerable. But to be drawn into his work is to begin to comprehend the narrowness of the path he has trodden, and the necessary lightness and delicacy of his step — thin ice indeed.

Collage, the child of Dada and mother of Surrealism, so often seems the easiest, the most facile, of media. Once shown the way, anyone can follow, and what is the point? In truth it is the most naturally subversion the ways retrolleting subversive, its very simplicity and directness, of means and application, the best cover of all. It only needs a master, with the wit to see it, to take the opportunity. Kolar is evi-

dently such a master, with the nerve to make the simplest and, once made, the most obvi-ous of statements, and call them Art. This too is very thin

His refinement is such that time and again no more than one element laid upon another are necessary to establish the image and make his point. Sometimes, as in his running series of rapportages he does no more than offer the simplest lay-out, setting one element against another. The choice is all.

against another. The choice is all.

His jokes are always good, often very good, so many of them teased out of art history.

Judas' kiss from Giotto becomes a rose; Manet so micely travestied in "Dejeumer sur la vache." The effect of such nicety is only to make the more poignant images the sharper and more affecting, the frony the more wicked. In the work of the later 1960s, most of all. the extended Diary sequence of 1968, such feeling, for all its apparent detachment, is at its most intense. "How will things be tomerrow?! Bad, Mama, Bad" runs the caption to the fashion plate, the model close up, her face become a mask across which Breughel's blind man leads the blind.

Perhaps the ice should

leads the blind.

Perhaps the los should always be thin enough for the artist to feel the danger and sometimes, perhaps, even fall in. The German neo-expressionist painter, Georg Baselitz, has been pushing his nick for a long time now, and while it may yet be too early for the splash, we might hear some creaking and cracking if we liscreaking and cracking if we lis ten carefully. His recent paint-ings and some drawings now full Anthony d'Offay's three



"Dêjeuner sur la Vache," 1967, by Jiri Kolar

galleries (9, 21 & 23 Dering Street, New Bond Street W1: until May 15). He continues with his con-

He continues with his convention, long ago become his personal cliche, of inverting the particular image — in this instance flocks of birds and disembodied heads or masks. His luck has been to make his reputation among the innocent, be they critic, curator or collector, by persuading them of the profundity of what was ever and only a studio trick to test the formal quality of a composition. "If it is any good, it will work as well upside-down," said the teacher, which is true, up to a point. Cood high to Baselitz.

But his early work had a cer-

seem to be a truly interesting painter still wildly signalling to be let out. The drawings are beneath any consideration, but these large recent canvasses are as interesting as anything of his in a long time. It is a back-handed compliment, unfortunately, for this very virtue, with its concomitant expectations, serves perversely to sharpen disappointment in

them as they stand.

The figurative element is now so vestigial, or off-hand in its statement, as to be all but irrelevant, which condition frees the surface at last, as was upside-down," said the teacher, which is true, up to a point.

Good hork to Baselin.

But his early work had a certain integrity and formal strength, and beneath the later delusive hype there would frees the surface at last, as was perhaps always intended, from any straight-forward representational purpose. That surface is handled freely and confidently, the paint thick and hish in itself and the colour, too, rich and intense. With so

little figurative commitment, the imagery, such as it is, is spread more broadly across the pictorial field, which achieves a certain compositional coherency that is all to the good. But then how perfunctorily it is done: with confidence, yes, but also a positive lack of finesse in the handling that bespeaks a cursory contempt

not so much for whoever might confront, even buy the master-pieca, as for paint itself and the act of painting. It is as though he cannot bring himself to care. On it goes, freely and confidently enough, but with a trowel, and where it sticks, it

stays.

And yet how beautiful paint can be. Baselitz may still hint at it beneath the crassness, but two current shows by British painters, neither of them of envy.

general reputation though of long experience, make the full demonstration. Fred Pollock, at Vanessa Devereux (11 Blenheim Crescent W11: until May 5) is the more abstract, his canvases smaller than those of Baselitz but quite as simple and no less monumental, his elements of rich, bright colour laid upon each other with a true sense of physical celebra-

Terry Shave, at Anderson O'Day (255 Portobello Road Wil: until May 5) is the more figurative, making romantic Turnerian reference to fire and flame, specific enough but yet abstracted and simplified. He handles his paint with a deli-cacy and discretion that a Baselitz might learn from, even

Verdi, Szymanowski

Sunday's Verdi Requiem, played by the London Philhar-monic (unevenly) and sung by the LP Choir (very well indeed), was conducted by two people, both of them called Zubin Mehta. The first was a sensitive director of voices, particularly of solo voices since Sunday's performance was led by a somewhat oddly selected quartet of soloists, this was particularly evident in the duets, trios, and quartets, which Mehta supported with great sureness and a natural feeling for vocal drama. The second was a chromium-plated

vulgarian who drove the "Dies irae" into a horrid drum-loud noise, and who generally went for all the most obvious show-biz effects (crudely semaphored tempo changes, rubatos etc.) in all the Big Places. The one con-ductor tended to take over from the other without warning; it was most disconcerting. In the ideal Requiem quartet, the four solo lines are chosen for their matching characteristics in style and vocal timbre, so that a balance between Verdi's devotional and theatri-cal aspects is truly struck. With the huge-voiced Paata Burchuladze lurching around the bass line (trying hard, but

with unequal success, to keep in tune) and the dapper light-lyric Keith Lewis smoothly shaped to the tenor, there was not much chance of such balance here. Between the two female voices - Florence Quivar, the steady, confident mezzo, and Alessandra Marc, the soprano

- one detected greater stylistic concord, and so the "Recor-dare" at least was a tenderly turned passage. The enor-mously promising Miss Marc (replacing her fellow American, Susan Dunn, at short notice) proved far more in her

element singing with orchestra than she had with piano in a recent Wigmore recital: in spite of one or two (excusable) accidents on high the voice soared, freely and glowingly. If only she could be persuaded to sing words, rather than verbal

The previous evening there was in the same hall a different sort of drama created in ent sort of drama creates in music — brilliantly coloured, in great splashes of folk idiom enmeshed in fine, rich webs of exotic orchestration and elaborate harmonic patterns. This was Szymanowski's 1931 ballet score Harnasie, given complete with the proceeding the Colour Sort Harnasie. with tenor soloist (Neil Jen-kins) and chorus (the BBC Symphony's): It formed the contribution of the BBC Phil-harmonic Orchestra under Edward Downes to the South Bank's current Szymanowski

It is a marvellous score, irresistibly fresh and exhilarating, which marks one of the high points of the Polish composer's achievement in later, "nation-alist" vein. The debt to the Stravinsky of Petrushka and Bartok of The Wooden Prince is clear; so, no less, is the succes with which Szymanowski makes up his narrative sophistication and naivety exactly mixed, tautness and economy of means underpineconomy of means underpin-ning all the colouristic revelry. The orchestra, which had ear-lier given honest, rather sober accounts of Ravel (Mother Goose Suite) and Sibelius (Sev-enth Symphony), warmed to Szymanowski excellently well. Why Harnasie is not more regularly played, by the big ballet companies not least, seems to me a total mystery.

Max Loppert

Orfeo ed Euridice

GRAND THEATRE, LEEDS

On paper there can have been of paget there can have been few compelling reasons for Opera North to revive Philip Prowse's 1984 production of Gluck's opera: it was not much liked then, and time has not been kind to it. But the availability of Sally Burgess, some of whose greatest successes have been with the company (Amneris, Julie in Show Boat), for the leading role must have looked like reason enough, and so it has proved: her performance is of such piercing beauty and truthfulness that passing irritations with the

staging are almost forgotten.
For a start, she is one of those singers - and they are alarmingly few nowadays - to whom words matter. Every consonant is there, pungently placed, yet without ever disturbing her fe l for unbroken musical line that is as valuable here as it was with her Minerva in the ENO's Ulysses.

What is more, she sings words
- in this case Alison Truefitt's English version — as though they mean something, which they often do in opera. Indeed, the total fusion of word-and-note that she achieves so instinctively and effortlessly conveys with ideal immediacy one of the things that Gluck and Calzabigi were aiming at: the communication of the most profound human feelings by the simplest of means.

Miss Burgess's mezzo, a highly individual and sometimes controversial instrument (at least to those to whom smoothness and beauty is all), is currently in lustrous state. Her first, disembodied cry of "Euridice!" gripped the imagi-nation with its suggestion in those mere five syllables (or four - the cast never quite made up its collective mind) of unimaginable pain. She is also

developing a fascinating way of using miniscule variations of pitch to colour tone and so heighten expressivity, rather after the manner of Janet Baker (there are worse mod-els), and the thrilling vibrancy of her tone at the top of the stave put one in mind more than once of an earlier Orpheus, Kathleen Ferrier (ditto ditto), especially in an account of "Che faro" that was at once a towering climax to a powerfully sustained interpre-tation and firm indication that she both understood and was wholly worthy of Gluck's genius.

But this was no one-woman show. Jane-Leslie Mackenzie's Eurydice fielded a soprano of equal lustre and purity and only marginally less verbal point: would that she had been allowed to sing the Blessed Spirit's Air as well. Both she, one of two Eurydices (the other a figurante, leading to the impression that the tensions of the third act were a simple case of mistaken identity), and Claire Daniels's accomplished Cupid fell victim to the over-busy production of a work whose whole point is its "beau-tiful simplicity." Ideally the staging should have been fined down within Prowse's handsome set, the extras and the "ideas" jettisoned, and the chorus brought down-stage where they were needed: neither they nor the orchestra struck their expected form until well into the third act (conductor: Clive Timms). The version used is based on Berlioz (there is no interval), but with a central performance as thrilling as Miss Burgess's, problems of text pale into insignificance. Gluck cannot help winning.

Rodney Milnes

Alice's

BUSH THEATRE

Improvisation is a tool of the actor's trade which, barring accident or amnesis, is nor-mally left behind in the rehearsal room. There is some thing faintly disconcerting -seeing " It- souttered around the stage as if it by Alice's Diner Theatre Com-pany, a group that has risen from the long cold ashes of the Royal Court-based Theatre Machine.

There is also something immensely endearing about watching the grizzled Theatre Machine stalwarts Ben Benison and Roddy Maude-Roxby opening themselves up once again to the perils of such an apparently unstructured form. They work here with two younger recruits, Michael Mulkerrin and Jeremy Stockwell, within the scenario of a restaurant preparing for the evening's business. Through a dizzying process of free associ-ation, the tables, chairs, cloths and cutlery are whisked into significances far beyond the confines of the eponymous Alice's Diner, evoking the for-malities of samural, or signalling the spontaneity of jazz per-cussion in a mixing routine of measuring spoons, whisk and squeaky plastic potatoes. The show is at its best when

its elements are given time to



Ben Benison, Roddy Maude-Roxby, Michael Mulkerrin and Jeremy Stockwell

infuse and develop. A vaguely suggested rivalry between two ng waiters, for instance, is hilariously sublimated in a Chaplinesque "aggression ses-sion" in which one persecutes the other with the subliminal sadism of table service, scrunching plates down on his fingers or, in a later variation, practically killing him with

waiterly kindness. There are echoes of Monty Python's "Spam" sketch in this absurd subversion of the ordi-

nary, and indeed the Python's shadow loops itself round many of the most cruel and quirky ideas — a dead elephant fashioned from five aluminium air vents, or a masked intruder from whose coat-sleeves pour gallons of stolen cutlery. But there are also times

when the associations do not come so freely, and the evening limps from sketch to sketch without a backbone to give co-ordination or any sense of direction, leaving the thea-

tre-goer with a sense of watching a process rather than a product, or of having happened on an in-joke the point and to everyone but oneself.

Aficionados of Theatre Machine will find much to amuse, but for most I suspect the absence of script will merely serve to make the heart

Claire Armitstead

Not Fade Away

THEATRE ROYAL, STRATFORD EAST

Grace, who is 79, leaves the torpid old-people's home in which she has been confined and returns to the Forest
Gate area she knew in childhood and long married
life. A staunch believer in the brotherhood of men, she
too easy. befriends a black family, becomes-its "gran" and feels herself — after 18 years in the home – reborn. Barrie Keeffe's new play is

shrewd to make all this comic. It is also a play with music; Bonner (Paul Barber), the man of the family which adopts her, is the singer of a black band. Grace, a pub singer of old, gamely joins in. She's the kind of resilient, optimistic, liberal, bawdy old girl in whom we're only too happy to believe. The role is an appropriate vehicle for Mirism Karlin. Her tones are as abresive, (nass) and chesty) as abrasive, (nasal and chesty), her spirit as gutsy, as ever. But the play soon becomes soft-centred. It wants to make Grace not real, merely

adorably amazing.

And it uses its music as just another means to give us good vibes about its characters. So forward-looking is Grace that she seems to know no song older than the Beatles' "Money Can't Buy Me Love," and, of course, her choice of songs is entirely liberal. Blithely she leads Bonner's band in Joan Armatrading's "I'm Lucky."

into trouble but then tritely dissolves it at the end, when

It is, however, worth waiting as the houselights rise at the end, when the instrumentalists carry on playing that last song. Then, for the first time, we're in musical terms. Elsewhere, we're never sure what music means to these people. Paul Barber's Bonner, singing or speaking, is slack and under-powered.

If the play's realism was sharper and its characterisation more acute, it would be both more stirring and more funny. For this, Philip Hedley's direction deserves some blame. There's a hint of caricature about Grace. Karlin sings the way she speaks, and as she hangs relentlessly on to the notes, she sounds like a contraito Dame Edna and you want to laugh at that But Not Fade Away just wants you to rejoice in her and to leave the theatre in a cosy, sentimental

Alastair Macaulay

April 20-26

SALEROOM

Pop forecast over the top Once again Phillips was caught

out yesterday by offering wildly optimistic estimates. It had persuaded David Howery, who had accumulated by far the largest archive of material relating to Buddy Holly, to sell it through its London W2 auction room, by forecasting an anticipated total of £500,000. In the event there was minimal interest and the sale brought in just £33,000, a depressing start to the week of pop memo-rabilia auctions in London.

There were hopes of selling Buddy Holly's stage suit after the sale for around £15,000 (as against a top estimate of £40,000), but there were no takers for the guitar that Holly had given to comedian Des O'Connor and which carried an estimate of up to \$60,000. The actor Paul Hipp, who plays the role of Buddy in the musical of that name currently on in London, paid £1,650 for a postcard that the singer sent to his sis-ter from London in 1958 in which he complains of the cold weather. The top price was the es,050 paid by the Hard Rock Cafe of London for a handwrit-ten contract signed by Buddy Holly and dated 1954. Another buyer was Warwick Stone representing Hard Rock Cafe, Los Angeles, who secured a Buddy Holly postcard sent from Hawaii for £1,480. Hard Rock is opening a restaurant in Hawaii

The tribal art market has marked time for much of the last decade. What it needed was the appearance for sale of a really good collection to stim-ulate the few big buyers. This happened at Sotheby's in New York on Saturday when one of the finest collections of African art ever assembled, by Harry A. Franklin, was dispersed. It made a record \$7.14m, and also achieved a record for an indi-vidual item of tribal art when the "Bangwa Queen" sold for \$3.41m (twice its estimate) to a private collector.

This is a very famous piece. It was acquired early, in the late 1890s, by the German explorer Gustav Conrau, one of the first white men to encounter the grasslands people of the Bangwa kingdom in the Cameroons. In the 1930's it belonged to the great tribal art collector Helena Rubinstein and was famously photo-graphed by Man Ray being clutched by a naked model, emphasising the sexual power in the dancing figure. In contrast the male figure, which is reckoned to be carved by the same hand and to represent its counterpart, only made \$330,000, at its low estimate, to a Japanese dealer. Both are royal ancestor memorials.

Antony Thorncroft

ARTS GUIDE

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TINANCIAL TIMES

Some business travellers

will change neither hotel nor newspaper. That's why they are particularly happy to find compli-mentary copies of the Financial Times at the following hotels in the Principality of Monaco: Hotel de Paris, Hotel Hermitage, Hotel Mirabeau, Hotel Beach Plaza, Monte-Carlo Beach, Metropole Palace Hotel, Hotel du Siècle, Hotel Abela.

FINANCIAL TIMES

OPERA AND BALLET

Paris Paris Opera. Stoon Lake in Nureyev's choreography after Petipa and Ivanov with the Paris

Opera Orchestra conducted by David Coleman and Michel Queval (47425371). Talitime de la Ville, Carolyn Carl-son dances in *Light*, which is performed for the first time, She uses mythology to describe her quest for spiritual screnity

Teatro alla Scala, Liliana Cavani's production of *La Traviata* opens this week, with Tiziana Fabbricini as Violetta and Roberto Alagna as Alfredo, con-ducted by Riccardo Muti. (30.91.26). Teatro Nuovo. Luciana Savig-

Testro Nuovo. Laczana Savig-nano and the Scala Ballet Com-pany damzing Robert North's La Jeune Fille e la Mort. Ben Stevenson's Three Preludes and Fokine's original version of Les Sylphides, adapted by Lynn Wal-lis (78.12.15).

Teatro dell'Opera. Franz Lehar's Merry Widow in a new and lavish production by Mauro Bolognini conducted by Daniel Oren. Raina Kabaivanska and Daniela Mazzucato lead the cast. (46.17.55).

Barcelona

Gran Teatre del Liceu. Friedrich Haider conducts Richard Strauss's Ariadne out Naxos in

a production by the Oper der Stadt Koln. Cast includes Mechthild Gessendorf, Edita Gruberova and Trudeliese midt (318 92 77).

Opera. Katja Kabanowa is conducted by Jiri Kout with Karan Armstrong, Ruthild Engert, Patricia Johnson, Warren Ellsworth and David Griffith. Hoffmanns Erabhungen in Glan Carlo del Monaco's production has fine interpretations by Faye Robinson, Neil Shicoff and Michael Burt. Fidetio stars Gwyneth Junea.

Hamburg

Opera. Romeo et Juliet has John Neumeier chareography. Ara-bella, expertly conducted by Heinrich Hollreiser, has a strong cast led by Lucia Popp, Olive Fredricks, Hellen Kwon, Dieter Weller and Knut Skram. Harry Kunfer's controversial new Tunn Kupfer's controversial new Tunn häuser production is well sung by Guenter Neumann in the title role, Linda Plesch, Waltraud Meier and Andreas Schmidt. Fur-ther performances of Faust's Verdammus, sung in French with Delores Zeigier, Keith Lewis, Jean-Philippe Latout and

Cologna

Opera. Monon Lescout has Liubov Kazarnoskaya in the title role. The Deutsche Oper Am Rhein ballet dances *Giselle*.

Frankfurt Opera: William Forsythe's suc-

pessful ballet Limb's Theorem bessni tallet Limb's Theorem
is again offered this week.
Schoenberg's Moses and Aron,
produced by Herbert Wernicke,
conducted by Frankfurt's musical director Gary Bertini, will
have its preprint this week with have its premiere this week, with Gerhard Faulstich as Moses and William Cochran as Aron. Ariadne auf Naxos convinces thanks to Helena Doese, brilliant n the title role.

Stuttgart

Opera. Philip Glass's opera Acknown, composed for the Stuttgart Opera, is a deliberate break from the American tradition, not only in its choice of the young Egyptian pharach as main figure but also in the corresponding use of African and Asian musical forms. The title role is excellently sung by the counter-tenor Paul Esswood. Also offered Tosco. Lohengrin with Eva Ran-dova and Toni Kraemer, as well as a Ulrike Sonntag Lieder

Munich

Opera. Salome in August Everd-ing's production has first-rate cast led by Brigitte Fassbaender, Josephine Barstow, James King, John Broecheler. Von Rinem's rarely played Dantons Tod proved a sensation when it conned in Johannes Schaafa opened in Johannes Schzaf's opened in Johannes Schzar's
production with Annegeer Stumphius, Maria Hausmann, John
Broecheler and Alejandro Ramirez. Guest ballet performance
of the Lausanne Béjart group. Also a Tchaikovsky-gala to com-memorate the 150th anniversary of his hirth with choreographies

by Cranko, Balanchine and Petipa. New York

Metropolitan Opera. The week includes a complete series of performances of James Levine conducting Otto Schenk's proconducting Otto Schenk's pro-duction of the Wagner Ring Cycle, but starts with Götterdüm-merung, completing the first of the three cycles this season, and starts over with the second per-formances of Das Rheingold, Die Walkire and Siegfried. James Levine also conducts the last seasonal performance of Franco Zeffirelli's new production of Don Giovanni with Carol Vaness Don Giovanni with Carol Vaness and Samuel Ramey, Karita Mat-tila and Jerry Hadley. Julius Rudel conducts John Cox's production of *Il Barbiere di Singli* with Kathleen Battle and Jon-Henrik Rootering. The Opera House at Lincoln Center

Rouse at Lincoln Center (322 6000). New York City Ballet. With a repertory still heavily steeped in Balanchine, the company fer tures a festival of Jerome Robbins's ballets in the middle of the season, which lasts till July 1. New York State Opera House, Lincoln Center (870 5570). Paul Taylor Dance Company. A month of mixed repertory from this classic and popular modern company. City Center (246 0102).

Washington

Eudolf Nureyev Farewell Tour. Charles Jude and members of the Paris Opera Ballet and Royal Ballet join Nureyev in a mixed programme (Mon). Kennedy Cen-ter Concert Hall (467 4600). NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Tuesday April 24 1990

The triumph of politics

IN WHAT is the opening round in the campaign for the all-German election, Mr Helmut Kohl's Government appears to have conceded to East German pressure almost across the board. But appearances are deceiving. There is less to these concessions than meets the eye. They are neither as large as the East Germans hope nor as expensive as the

Chancellor Helmut Kohl's coalition government is offering to convert personal cash ing to convert personal cash and savings of up to 4,000 East German Marks (£1,450) at one-to-one, this being twice the amount proposed by the Bundesbank several weeks ago. Savings above 4,000 East German Marks are to be swapped at two-for-one, while the debts of East German companies are to be converted at two-for-one

to be converted at two-for-one, Wages are to be converted at one-for-one, but they will no be raised to compensate East Germans for the higher prices of basic necessities. Meanwhile, pensions are to be related to East German wage levels, with workers getting a maximum of 70 per cent of

More demands

These proposals will not be the end of the debate. The East German Government will demand more, including the exchange of all savings at onefor-one and compensation for the increased prices of necessities that will follow unification. It may obtain more gener-ous treatment than that now offered. Provided it does not, the proposed outcome should

be no catastrophe. At the end of 1989, the savings of East German house holds were worth 176bn East German Marks (from which their borrowings, amounting to some 26bn East German Marks, should be deducted). Against these liabilities must be set East German government assets, the most valuable of which are state enterprises and the land itself. It should be noted, in this context, that the rate at which enterprise debts are converted is unimportant. except as financial engineer ing, since their entire value will accrue, in any case, to the German auccessor state.

If all East German savings were converted at par, they

Predators

THE DECISION by Sir James Goldsmith's Hoylake consortium to abandon its assault on BAT Industries may not come as a surprise. But like the appearance of former Drexel Burnham junk bond trader Mr Michael Milken in Manhattan Federal Court today, it raises questions that will not go away in a hurry. Do these events mark the symbolic conclusion of an exceptional, and unre peatable, episode in financial history? Or have the predators and junk bond financiers of the 1980s so changed the world that things will never be the

same again? Financial excess has always been a cyclical phenomenon. What occurred in the junk bond market in the 1980s will inevitably find an outlet in other markets at some point in the future. But there seems little doubt that the political cli-mate has shifted significantly in the United States against contested takeovers and that a change of government in the UK would bring about a simi-lar change in attitudes. The tested hid for the US industrial group Norton are symptomatic. So much the better, will be the attitude of many on both those who are convinced of the merits of contested bids it has always been much easier to fathom what Sir James Goldsmith and his kind will take out of a company than what they are likely to put in. More-over, frenetic takeover activity involves high transaction costs and heavy disruption. The West German and Japanese experience, meantime, suggests that there is no correlation between an active takeover market and high rates of economic growth.

Compelling case

The case for financial engineering is at its most compelling in relation to the very specific problems of cash-rich declining industries. It seems probable that the sudden vulnerability of companies like BAT, Allied Lyons and RJR Nabisco in the late 1980s has subjected all management in the brewing and tobacco sectors to a much greater degree of accountability to shareholders. The trend towards a tighter focus on core busiwould be worth DM176bn. Under Mr Pöhl's proposal of a few weeks ago they would have been worth around DM100bn. Under the proposals announced yesterday they would be worth around DM120bn, which would at worst increase West German central government debt by a quarter, or around 5 percentage points of gross national product.

DM120bn is less than 10 per cent of the West German money supply and itself no great inflationary threat. Furthermore, this sum would amount to no more than DM10,000 for each adult East German. Since this represents virtually all their wealth (except for that in their pensions) and is to be made safe against inflation, East Germans are most unlikely to spend it all.

Wage adjustment

Far more important than the East German state is the future level and structure of East German wages. But, here too, the defeat for the Bundesbank is less significant than may appear. The Bundesbank had suggested that East German wages should be adjusted. upwards for the coming price increases, before the conversion. The Government now proposes conversion at a higher rate, but without adjust-

What will prove decisive is not where East German wages start, but how they adjust to market forces. The Bundesbank felt, probably rightly, that the adjustment would occur more easily if there were to be an increase in nominal wages from a low base, rather than the other way round.

Converted at one-to-one,

East German wages would start at around 60 per cant of West German levels, when their productivity appears to be considerably less than that. If nominal wages prove as sticky in East Germany as they have long been in West Ger-many, the one-to-one conver-tion may lead to permanent sion may lead to permanent proportion of unskilled East German workers. That would be no triumph for politics, but a disaster born of populism and shortsightedness.

in retreat

nesses is by now well estab-lished in these industries. There are other sectors such as commercial banking where predatory activity might pro-vide an antidote to abysmal management were it not for the entrenched opposition of central bankers to contested takeovers. More generally, the system has provided greater incentives for building conglomerates than dismantling them. That is equally true of the much vaunted West German system; and it remains to be seen whether such conglomleap from automobiles into aerospace will prove any more manageable than comparable takeovers in the US and UK. As for the predatory activity that currently surrounds Vickers it serves as a reminder of the common strategic problem that faces victims of nationalis-ation that choose not to hand back the cash proceeds -though it is not clear that con-

Ownership discipline

inadequate returns.

glomeration, whether at Vick-

ers or anywhere else, necessar-ily entails poor management or

The big problem for industry in the English-speaking econo mies is a loss of competitive ness in world markets. The key to regaining competitive advantage must lie in the creation of a healthy climate for innovation and investment. Yet the linkage between own-ership discipline in open capital markets and innovation is exceptionally imprecise and there are grounds for suspecting that the discipline is indeed dangerously short term. A striking feature of many of the more significant technological advances and their financing in post-war Britain is how often success has been achieved under the umbrella of private or restricted voting ownership structures - witness Pilkington's float glass process, Reuters' dealing systems or 31's dominant position in venture capital.

One conclusion might be that growth industries require different forms of ownership discipline than declining industries. But if that is true, the anti-takeover legislation that is now sweeping the United States is too crude by half as a remedy for takeover excess.

FT writers examine the long and painful process of restructuring at International Business Machines

HE sleepy hamlet of Armouk in upstate New York is the unlikely home of International Business Machines, "Big Blue", the world's largest com-puter manufacturer. Situated on the crest of a low hill, the modest, three crest of a low hill, the modest, three storied building hardly lives up to the name "Galactic Headquarters" by which it is known to IBM watchers around the world.

Yet Armonk is the epicentre of a corporate earthquake shaking up the way IBM does business and challenging the assumptions of IBM staff in

ing the assumptions of IBM staff in every one of the more than 130 countries where the company operates.

For several years IBM's corporate
well-being has been in need of both self-examination and radical surgery. This had been precipitated by the feel-ing that the world's most self-suffi-

cient company had become bloated, bureaucratic and arrogant. Add to that IBM's disappointing results over the past four years, and the task fac-ing Mr John Akers, the company's chairman and chief executive, when he assumed control in 1985, was vast. The Akers initiative involved five restructuring measures, each of which has resulted in upheaval and

trauma. They are: Cutting total staff without redun-

dancy.

Eliminating bureaucracy

World-wide decentralisation

More collaboration with software companies, systems houses and cus-tomers in solving business problems

Concentrating on particular market specialisations
This year, IBM's top executives are hoping to see the first real signs of healing, a process which has involved tackling the company's deeply conser-

By Alan Cane, Roderick Oram, Louise Kehoe and Ian Rodger

vative corporate culture and ultimately making it more responsive to its customers and the market. The early indications are encourag-

The early indications are encouraging: worldwide revenue for the first quarter of this year totalled \$14.2bn, up 11.4 per cent on the same period last year, while pre-tax earnings were \$1.827bn, up 12.4 per cent on the first quarter of 1989. Mr Akers remains cautiously optimistic: "Our strategy of listening to our greatment and of listening to our customers and improving the competitiveness of our products and services is working." This minor upturn must be set

against the disappointing performance of the previous four years. In 1989, sales growth was a mere 5 per cent, for example, about half the industry average, compared with 28 per cent between 1983 and 1984. Earn-ings per share in 1984 totalled \$10.77;

last year, the figure was \$6.47.
This was a far cry from the heady early 1980s, when Mr Akers' predecessor, Mr John Opel, vowed that the company would grow at the same rate as the industry in every sector in which it had competition, and that it should aim to become a \$100m company by 1990.

IBM's poor record between 1986 and 90 must also be judged in the context of an industry undergoing structural changes more profound than any since its emergence in the 1950s. All traditional mainframe and minicomputer manufacturers have seen their margins eroded by technological advances which are changing the cost structure of the industry. Wang of the US, Nixdorf of West Germany and Norsk Data of Norway are the best

known victims. It has been left to young and nimble turer Sun Microsystems or software publisher Oracle Corporation, to that high technology can still mean

Small earthquake: IBM slightly hurt

high growth and profitability. Yet in some ways, IBM's problems are unique. Its revenues from information technology last year topped \$60bn, almost \$50bn more than its nearest competitor. Its pretax profits at \$6.6bn, down 26 per cent on the previous year, were still greater than

Apple Computer's sales for the year. So is IBM just a giant among com-puter makers, but an increasingly slow moving one?
The implications of IBM's lacklustre performance go well beyond the fate of just one company, however large; the measures it is taking have a significance well beyond a histones.

nificance well beyond a business school study of a turnsround strategy. its personal drama is being played out against a backdrop of globalisation of trade, deregulation and the continued rise of the industrial powers of the

IBM has been the bell-wether of the US computer industry, its success tled to its wall-honed ability to dictate the terms and conditions on which the data processing market operates world-wide. Now that omniscience is under threat from three directions. First, the traditionally homogeneous computer market is fragmenting into a series of niche markets

each with its own market leader.
Second, the Japanese drive into computers is continuing to eat into IBM's market share in mainframe systems and undermine its credibility as market leader. The Japanese understand well that computers and semiconductors are not only important as industries in their own right, but as the driving force behind the technical growth of many other industries. That is why excellence in infor-mation technology is one of their principal industrial targets. IBM has been the US information technology industry's chief bulwark against Japa-nese computer manufactures' increasingly powerful penetration. In 1971, Japanese manufacturers held less than 4 per cent of the world computer market. Today, Japanese companies occupy third, fourth and sixth post-

tions in the world league.

Third and most important, the customer has changed irrevocably. Much of IBM's success in the past has been due to the close ties it built with company data processing managers, individuals whose career advancement often depended on IBM's approval and who were thus in thrall

With the emergence of departmen-tal computing and personal comput-ers, data processing has become a business tool, an opportunity for competitive advantage, as much as a utility. A consequence has been that decisions about data processing investment are examined much more

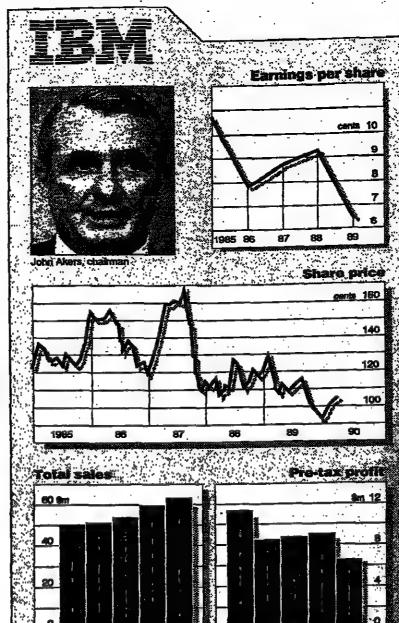
closely by company boards whose members owe no allegiance to IBM.

IBM's response to this challenge has been to attempt to turn itself from a blue whale into a lean but friendly octopus, with the Armonk headquar ters at the centre of a complex net-work of relationships with customers, and even with competitors.

It has implemented over the past

four years a programme of reform and reorientation that goes far beyond conventional business turnround strategies; in the process it has changed the company from a technology-driven to a customer-driven orien-

tation.
This has involved some changes of



perception that would have been unthinkable a decade ago. In short, IBM, more used to setting the pece than following the herd, is talling its staff that it may be the biggest con-puter company in the world, but that it is not the best; and that many of its products and services are medicare. Most unsettling of all, staff are being asked to come to turns with the notion that IBM, virtually a byword for discretion and self-sufficiency in the past, now needs not only to create synergy through partnerships and associations with other companies but welcomes the companies to commun.

1985 86 87 88 89

welcomes the opportunity to commu-micate with the non-blue world. Thus, Mr Jack Kuehler, IBM President, says: "We are trying to take advantage of other people's ideas in a way we have never done before." IBM's reluctance to listen to outside

ideas had been reinforced in the early 1980s by years of record sales and profits. IBM, for instance, had been benefitting from its entry into the personal computer business where it quickly became market leader, solid growth in revenues from software and their computers.

when Mr Akers took over as chain erg requirements.

When Mr Akers took over as chain erg requirements.

But the Blue Whale has begun its san, in 1985, it quickly became appair

But the Blue Whale has begun its san, in that "things were going south," as metamorphosis. Mr Pierre Hessler, in that "things were going south," as metamorphosis. Mr Pierre Hessler, in the Blue Whale has begun its san than the same and services, a director of marketing and services, a director of marketing and services. when Mr Akers took over as chair, man, in 1985, it quickly became apparent that "things were going south," as Mr Douglas Sweeney, IBM's chief conporate strategist put it. When the conventional response of corporate belt-tightening, proved imadequate, Mr. Akers began the larger job of restructuring the company for the 1990s.

Understanding what that gone wrong involved a prolonged period of snalysis in which IBM asked its own staff, outside consultants and its larger customers to tell it where it was failing.

The analysis made sobering reading. Applications software software to solve business problems, was in poor supply, methods for automating the development of application software were inadequate, computers were proving difficult to connect or integrate and systems were hard to use. Most significant, customers were stating the hard to use the proving the land to prefer the content of the customers. finding it hard to justify their invest-ment in information technology.

Introspection came to an end abruptly on December 31 1987 when Mr Akers apparently told his colleagues: "No more diagnoses. Now let us focus on execution." His initiative involved several measures designed to restructure IBM from top to bottom.

First, IBM is reducing its workforce gradually from 497,000 in April 1986 to a planned 373,000 by the middle of this year. It will achieve this through a combination of attrition and and incentives to encourage early retirement. Some 53,000 administrative jobs have been eliminated as a result of the retirement programmes and the the retirement programmes and the redeployment of administrative officers into line jobs, IBM says.
Second, it is creating a line-of-busi-

ness (LOB) structure within the organisation under a new division. IBM United States, aimed at eliminat-ing bureaucracy and to provide logi-cal groupings for IBM's huge range of

Third, IBM is devolving power away from Armonic. IBM branch managers have been given a new and unfamiliar responsibility for dealing with cus-

responsibility for dealing with customers and setting prices.

IBM Europe, which has been devolving power to individual countries, provided the model; IBM Italy, the working example. Mr Sweeney says: "In Mr Ennio Presuffi who runs IBM Italy you will find somebody measured on his revenue and profit performance. He has been in the job 10 or 12 years and that brings continuity and perspective". IBM managers used to joke that the company's initials stood for "I've Been Moved".

Fourth, it has lainched a broad-

"Twe Been Moved"
Fourth, it has lainched a broad-based campager to collaborate with software companies, systems houses and customers to help them develop applications software to solve busi ness problems. The partnerships involve a range of commitments from equity states (for instance in Intel which builds the main microprocessor in its personal computers) through to providing facilities to test their prod-

Finally, IBM has introduced a policy of concentrating on particular market specialisations, it has estabmarker specialisations, it has established a small working group to identify and help finance projects which offer outstanding commercial potential. One example is a retail banking system which IBM is building in collaboration with National Westminster Bank involving IBM's new proprietary

To date, competitors, never short of respect for IBM's marketing muscle, apart from heavy pressure on margins as IBM salesmen — freed from control from Galactic Headquarters — dis-1985 86 87 88 89 From Galactic Headquarters — discount heavily to win business. Some are openly doubtful of IBM's ability to take on, say, Andersen Consulting or Electronic Data Systems, as a Systems integrator, putting together customers to buy rather than lease that manufacturers to most their computers.

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Salar Salar

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4. 1

The first is, how well are we going to do what we have set out to do. The second is how we compete with the Japanese manufacturers. And the third is how we position ourselves in prefessional services and our relation ships with the big consultants."

IBM's competitors will be watching the struggle anxiously but with some resignation: Mr Vittorio Cassoni, manonce an IBM executive, points out that the problems in the industry are the same for all the big computer companies: "The difference between IBM and the rest of us is that IBM has more time to resolve the problems from which we are all suffering." This article is the first in a series which will continue on tomorrow's

A view of Tunisia

■ We went to Tunisia for a week, basing ourselves at Djerba la Douce, the garden island just off the coast to which the Romans long ago built a causeway from the mainland. It is a gentle place, as its name suggests, but now giving way to tourism. I was just thinking that the country had handled this well, when I read a stern article in the Tunisian press complaining

that the island was being destroyed by development. Since the Tunislan press is fairly strictly controlled, there must be an argument going on in the background. As an outsider, it seems to me that the practice of cutting off small parts of the island for hotels with their own grounds and beaches is infinitely preferable to allowing higgledy-piggledy growth, and that there is noth-ing wrong with replacing some of the sand dimes with tennis

the confines of the place where they are staying. Others simply make the occasional excursion on a bicycle, so there is no question of the tourists overrunning Djerba. On the other hand, one or or two developments may be getting out of hand. A Go-Kart track is being built on one of the tips of the island, next to the lighthouse. Thus perhaps it is just as well that a few warning signals are being sounded. Djerba should not become a mini-Daytona

We stayed at the Club Mediterranée, not least because it provides one of the best ways of visiting a developing country on holiday. If you want to go for a ride on a camel, the Club will produce the camel. And if you want to go off to the interior, it will be arranged, Land Rovers, drivers

Suitably equipped, we took the children to the fringes of the desert, to show that it exists just as the geography

OBSERVER

books say. As it happened. there was a series of April showers throughout, some of them quite heavy, like there used to be in England. At the end of the day, there was a hope rathbow all across the huge rambow all across the sky. Perhaps the geography books are wrong.

French success

The Club Med is one of the great French international suces. It seeks to carry French less, there can still be national less, there can sam or narrowal frictions. For the winter sea-son, the Club in Dierba said that the two languages were French and German. The Germans complained strongly that German was not being taken seriously. By this time of year, English and Italian have been added to the list. The Germans are still unhappy that hardly anyone speaks their language properly and prefer English to French. The French tend to regard the Germans as killjoys. But since the latter were outnumbered by about nine to one, the French were content. The Italians keep to them-

Market economy

■ The discovery in Tunis was the size of the informal economy. A friend who took me round the city explained that most of the official statistics are now wildly wrong because they do not take account of it. Street after street is now taken up with outdoor stalls selling all kinds of goods, very few of them really trashy. Peo-ple cross the border from Algeria both to buy and sell. Strictly speaking, these markets are illegal. When they started over 10 years ago, the

police would have got away with it if they had knocked

them down. They might have



"If it's Eurotunnel again, I'm not here."

got away with it five years ago but if they tried now there would be riots, even though the police force has been sing in numbers. My friend has an ingenious theory. He says that the people have recognised that the state

has failed to deliver and have decided to create their own economy. One way of showing this is to look at the statistics on house-building. The official figures are quite low, but are belied by the plumbing statis-tics and the installation of electricity meters. There are about three times as high and sug-gest that people have taken to building houses on their own. The visible evidence

bears this out. In Tunis there is a market-place for second-hand cars. Again this is illegal (all cars in Tunisia are imported), but nobody dares close it down. On Sundays there is also a flourishing pets market, which the authorities have chosen to leave alone.

According to my friend, the key question now is how to turn the informal economy into the real economy, so that there will be some tax-take for the state and some guaran-tee for the consumer. No-one wants to buy a dud car, for instance, or a sick puppy with-out the possibility of redress. If this happens, there will have been an economic revolution.

Taped message

Another development that is eroding the authoritarianism of the state is the spread of tapes. Whether pop music, reli-gious or even political propaganda, these sell in great pro-fusion in the markets. Some of them are snapped up almost as soon as they appear. The authorities scarcely have the time or the means to keep up with them. And since the press is muzzled, it is the tapes which provide a sort of piural-

Indeed the most interesting section of the press, my friend points out, is the small ads. A French language Tunisian newspaper tends to stick to a fairly rigid formula: news of the Government, for the Government and by the Goverument, plus sport and enter-tainment. It is the small ads alone that reflect the vitality of the informal economy.

Philosophy

We dined with the headmas ter of a private Paris lycés, which even in a bad year gets at least 85 per cant of its leav-ers into university. He said he attributed the success to insisting on teaching the elder pupils philosophy, a subject that has always passed us by.

What then was such a wise man doing at the Club Med, where any intellectual light is better kept under a bushel and even to mention the name Mitterrand is to provoke a shocked silence? Everyone needs a period of banality. he replied. Now that is a truly philosophical remark. It may 🕏 even be true.

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The state of the s

Referendum needed on European political union

From Mr J.G. Bellak. Sir, The suggestion in your editorial comment ("Europe's road to union," April 20) that "practically everything is negotiable including the precise definition" inition of a political union" is

The reality is that monetary union must ultimately lead to political union and that political union is, however it starts, bound to mean what it says. When the United Kingdom joined the European Commu-nity this was rightly seen as a sufficiently fundamental con-

stitutional issue to be referred to a referendum. Should we not now recognise that "political union" is an even more fundamental constitutional issue and must be referred to a referendum? I make no judgment as to what the outcome should be but if

From Mr Bryn Jones.
Sir, Nice to see the frontiers of free speech being pushed back in your columns. Haif of

Chris Dunkley's TV and radio guide for April 18 consisted of an unexplained appeal for the

theories of Marx and Freud to

be "thoroughly discredited," and for that night's Radio 4

(Against the State) programme on Marx and Freud to begin this process. In the same edi-

tion's letters the Director of the Incorporated Society of Advertisers disinterestedly

informed us that unregulated advertising needed to "flow as freely as personal ideas."

a largely upbill battle with stu-dent ambivalence to any criti-cal reading and assessment of the ideas of Marx and Freud, I

now see the source of my diffi-

The problem is not that my students have been so unappre-

clative of big ideas because their diet of TV and radio

never (to my knowledge at least) contained a single pro-

As someone who has fought

be consulted on a policy by referendum, then surely this is it.

J.G. Bellak, Tittensor Chase, Staffordshire

From Mr Patrick Crowley. Sir, Mr Christopher Whites ids, (Letters, April 6) in responding to Joe Rogaly's article ("Taking refuge on the world stage," March 30) appears to be confusing the

That politics distorts the

assessment of major economic issues is irrefutable: the only servative Government is whether the economic benefits of joining the exchange rate mechanism (ERM) of the European Monetary System (EMS) can be achieved before the next general election. To think that the decision would be taken on any other basis would

Unregulated flow of stimulating advertising

be pure folly.

It is in this sense that Mrs Thatcher is not an enthusiastic European: to deny that the EMS has benefited its partici-pants (as Professor Walters recently did) is to dispute the economic evidence. Mrs Thatcher has never disputed the evidence publicly. So once inflation becomes within reach

of the European Community average, the decision can only be delayed on political Another area where Mr Whiteside's logic appears to have deserted him is in relation to the sequential nature of the steps towards European mone-tary integration (EMU). Since the publication of the Delors report, the ERM is virtually unanimously accepted as the first step towards eventual monetary integration. If the ERM, suddenly failed to work,

rently proposed for achieving EMU would be immediately put in question. Whether EMU is desirable or not should be a he "gallant little coun-tries" brizade is having a field day over Lithua-

nia. Armchair warriors from

Copenhagen to Carshalton are polishing their airguns and calling upon the West to "take action" to defend the Baltic

country's decision to become independent and overcome the

economic sanctions imposed by Moscow. Cries of "Münich"

One can only envy the sim-

ple-minded conviction with

which those who castigate President George Bush and the

European Community for their measured response to the

events in Lithuania pursue

their arguments.
But the Soviet Union versus

Lithuania is not just a football match in which you support

ther one side or the other.

It is part of a highly complex and interrelated set of circumstances which, if ineptly and insensitively handled, could

bring down the whole stadium.

The fight by the Lithuanians for the independence of their

country is unquestionably both courageous and at least as nis-

torically justified as that of several other east European

In the 14th century, Lithua-nia was a great empire stretch-

ing all the way from the Baltic to the Black Sea, whose ruler became King of Poland in 1336

after being bantised as a Christian. It is true that, by the end

of the 18th century, Lithuania, together with the other Baltic

lands, had passed into Russian hands, where they stayed for

Yet in 1920, after being occu-pled by the Germans in the First World War, Lenin signed

ameration by Moscow in the

following year.
While recognising the legal-

ity of Lithuania's claim, how-

ever, Western governments can only ignore at their peril the difficulties facing President

Gorbachev in dealing with it. Mr Gorbachev, after all, was

not responsible for incorporating the Baltic states in the Boviet Union. He has inherited

a far-flung and heterogeneous

empire which, thanks to his

own relatively liberal policies,

is now beginning to disinte-

grate. That process, as the Brit-ish and French should cer-

tainly be the first to

more than 100 years.

read the air.

The point is that member-ship of the ERM is envisioned as a stepping stone towards whatever EMU eventually turns out to be. Hence I fail to understand how anyone could be in favour of EMU and against the ERM.

To use a simple analogy, it is like saying you like milk products but hate yoghurt — this is illogical. It is however possible to like yoghurt but hate all other milk products. I suspect that Mrs Thatcher likes neither markinglability is increased. ther, particularly if it compro mises her domestic policy inde Patrick Crowley, 250 Heath Street West Toronto, Canada

Red Cross efforts for Cambodia

From Mr Renny Nancholas. Sir, I would like to correct the impression given by Peter Carey (Letters, April 19) that the British Red Cross has been inactive in supporting medical services in Cambodia.

a peace treaty with the govern-ments of the three Baltic states Throughout the last 15 years and recognised their indepenour society has been giving active support, both materially dence "in perpetuity."

Therein lies the legitimacy of and in human resources, to international Red Cross efforts the Lithuanian claim to inde-pendence today. No one in the West accepts the validity of the to provide medical assistance both in Cambodia itself and to the thousands of Cambodian notorious Molotov-Ribbentrop pact of 1939, the secret proto-cols to which allocated the Balrefugees and war-wounded just across the border in Thailand. During the 15 years we have sent more than 100 delegates tic states to the Soviet sphere of influence and led to their

mostly doctors and nurses to work with the international Committee of the Red Cross (ICRC) at the Khao I Dang surgical hospital for war-wounded and other medical institutions. It would be pointless to list

everything else that we have done. But I would like to mention just two recent examples. Since the end of last year Gill Since the end of last year Gill Barker, an experienced BRCS theatre nurse, has been working at the ICRC hospital at Kampot in Cambodia. In December we funded the installation of a generator at the Australian Red Cross hospital at Kompong Speu, south-west of Phnom Penh. Finally I would like to point out that Red Cross societies never set in isolation from each other. In the case of Cambodia we all act in close concert with the ICRC in Geneva.

cert with the ICRC in Geneva.

Benny Nancholes, Head of International Aid, British Red Cross,

MARX, FREUD, KEYNES & WITTGENSTEIN

ARE ALL VERY WELL IN THEORY BUTTHEY

HAVEN'T WRITTEN A MEMORABLE 30-SECOND

COMMERCIAL YET

After a few more half-hour programmes debunking the influence of outstanding social

grainme emissing them. No, it is just that these media did not thoroughly discredit such ideas, so that prospective sindents and others could know that the such ideas. that they did not have to study and evaluate them.

and scientific theories (Wittgenstein? Keynes? Darwin?) there should be more space in the air waves, and eventually less opposition in the brain waves, for the unregulated flow of stimulating advertising. Bryn Jones,

Telephone tariff cuts and traffic volumes

From Mr E. Cheong.
Sir, Your editorial comment ("No need for phone cartels," April 17) is to be welcomed as a positive contribution towards greater competition in international talecommunications.

However, I must take issue with your assertion that many studies have concluded that any revenue lest by cutting prices on international routes would be more than off-set by higher traffic volumes." In economists' jargon this

(minus) one. In my time as a telecommunications economist I have not come across any studies which clearly demonstrate such an effect.

The published studies of which I am aware - and I would be happy to confirm my references - derive a range of elasticities from: -0.1-10-0.9; These are aggregate numbers for both residential and business traffic.

I suspect that residential

price so this must mean that the business elasticities are demand must be greater than

Of course, a good applied economist treats economistic estimations with caution but what evidence there is does not support your hypothesis that cutting tariffs would increase international talephone reve-K. Cheong,

Senior Consultant, National Economic Research Associates,

ECGD and a precipitate rush to privatisation

Sir, My council endorses fully the points made by Mr Dunford (Letters, March 22). We fear that, having failed in its full-frontal assault on the Export Credits Guarantee Department (ECGD), the Treasury is now pursuing the "zero-option" for project sup-

port by stealth.

ay own

Of equal concern is the future of ECGD's short-term Insurance Services Group. We welcome it being run more commercially and its management being granted greater flexibility and accountability. However, we are concerned at the seemingly precipitate rush towards early privatisation and believe that before making decisions, the Government should listen to the views of exporters. Mr Ridley's observation, as reported in the FT, that "exporters should refrain from comment until these decisions were made" is the sort of arrogant nanny-knows-best approach that we had hoped was a thing of the past Four issnes are crucial:

• The changed ownership could profoundly affect the availability and cost of bank financing. ECGD policies,

underwritten by the Government, are "zero-weighted" by banks. Will a new owner enjoy the same rating? If not, off-balance-sheet finance will be less available and more expensive. • Mr Ridley must resist a quick sale to an unsuitable buyer. ECGD's recently improved service is due partly to good commercial manage-ment. But it is also due to the

 If the new owner were an existing UK credit insurer there could be a return to a detrimental monopoly situa-tion. And if the new owner were a foreign company, would it have a real interest in pro-moting British exports? The Trade and Industry Depart-ment's track record in assess-ing the versity of statement. ing the verscity of statements made by foreign interests seeking to purchase UK institutions is well-docum

existence of private sector com-

petition encouraging better

products and flexibility.

Confirmed availability of political risk reinsurance isvital if we are to maintain traditional less developed country markets and take advantage of developments in eastern Europe, The Government's offer of reinsurance for three

years must not be seen as finite. Rather, Government must provide national interest cover until the new insurance services company can deliver such reinsurance from the priteed, long-term and at a realis-

> What are the conof making ECGD's Insurance Services Group attractive for privatisation? Our fears are that premiums will inevitably rise and that cover on riskler markets will be withdrawn or priced out of existence.

Effective, competitively priced export credit insurance is vital in tackling the £21hn trade deficit and encouraging small to medium companies to

If a "quick fix" sale of the insurance Services Group (at a price which will run the National Health Service for just 75 minutes) deprives British exporters of this support, a continuation of the trade deficit and the need for high interest rates will be the pattern for the 1990s and beyond. I.J. Campbell.

British Exporters Association, 16 Dartmouth Street, SW1

Bank action on insolvencies

From Mr R.P. Allen, Sir, Richard Waters ("Insolvencies rise as interest rates hite," April 11) reports on Grant Thornton's view that banks are taking action earlier to prevent their clients going into receivership. Would that I and other credit managers saw evidence of this.

When companies are in diffi-culties the clearing banks could do much to keep them in business simply by liaising more closely with major creditors. Yet all too often the banks appear to take the easy solution of withdrawing credit at the first sign of a problem, so accelerating decline. No one is suggesting that the

banks should expose them selves to unnecessary risks. But if they took a little more effort to establish the views of others we might yet see more companies surviving the current high interest tates. R.P. Allen,

Institute of Credit Manage Easton House, Easton on the Hill, Stanford, Lincobishire

Turkey's human rights record 'grievously misrepresented'

Sir, Edward Mortimer ("Turkey against the tide," April 12) paints an image that grossly and grievously misrepresents the human rights record of

Turkey. In the first instance Turkey's application for full member-ship of the European Commu-nity was in no manner whatso-ever "shelved" as such last December. On the contrary, the European Commission, in the "opinion" it submitted to the Council there and then, explicitly stated that no doubt

should be cast on Turkey's eligibility for membership.

Mr Mortimer quite blatantly disregards the fact that the Community is reluctant to open accession negotiations with any of the candidates, be it Turkey or another country, except in sui generis cases. The Commission went on to declare that "the fact that negotiations cannot be opened at this stage... would not mean that our partners must abandon their aim of accession."

As for certain events Mr Mortimer dwells on in his

article to create a so-called basis for his attack on Turkey's human rights record, ellow me to point out that it is always good practice not to dis-tort quotations by tearing them from their actual context and quoting only fragments of

Six opposition MPs were expelled from their party by the decision of its elected organs. This was a strictly democratic process. There are surely cases of MPs deselected by their very own local organi-sations in the UK on grounds that they embarrassed their

constituency by their actions.

A young army officer was indeed discharged from the armed forces. He had acted against rules and regulations forbidding mambers of the forbidding members of the armed forces from becoming involved in politics. This is cer-tainly a universally accepted western practice. The man is now a civilian and from what I read in the Turkish press, he thoroughly enjoys his new status by giving interviews to the

There have indeed been

recent cases of reporters injured together with police officers during riots instigated by militant elements. Surely, this is not a case against the practices of the Turkish Goyernment since there are numerous examples of such incidents in all democracies

including the UK.

Mr Ismail Besikel's case is one I do not want to dwell on in detail. It would not be appro-priate for me to comment upon a matter which remains before

I believe, however, that the charges against him, which involve advocacy of the dis-memberment of the Turkish State should speak for them-selves. It is the bounden duty of the State Prosecutor's Office to protect the majority of the people against the excesses of a handful of militants.

The mayor of Canakkale was suspended from his duties on the grounds that he behaved disrespectfully towards the seat of presidency of the republic. His case is before the indedent Council of State Legislation exists in all countries

of the world enabling authorities to take action against such behaviour involving insult to the office of the head of state. Action taken recently against certain newspapers

that published sensitive information on terrorist movements was based on laws enacted by an elected parliament. There exists today a consensus amongst all political parties to combat separatism by all means compatible with a parhiamentary democracy. I believe a certain amount of censorship prevails in the UK too where the IRA is con-

Allow me to finish this letter by quoting a comment made by the European Commission in their report to the Council last December: The system (in Turkey) set up by a series of reforms and on the occasion of, or following, various elections, has resulted in a parliamentary democracy closer to Community models." Nurver Nures,

Ambassador. Embassy of Turkey

FOREIGN AFFAIRS

No simple answers to Baltic crisis

The Soviet Union and the West must be cautious over Lithuania. warns Robert Mauthner

comprehend from their own history, is a painful one. It can also be highly disruptive, as the French experience in Algeria in the 1950s and early 1960s showed only too clearly. In France it led to a generals' revolt, and a military coup was only narrowly avoided. Only someone with the exceptional qualities of General de Gaulle was able to bring the French people around to accept Algerian inde-pendence, but he had to move carefully and it took several

years to achieve his aim. The Soviet leader's position is at least equally delicate. His conservative critics, who like neither the abdication of Soviet power in eastern Europe nor the moves towards greater democracy within the Soviet Union, are ready to pounce on any policies leading to the progranting immediate indepen-dence to Lithuania, Latvia and Estonia would have a domino effect and many international observers agree with him.

Both Mr Gorbachev and the

Western countries are therefore faced by an agonising dilemma. The Soviet leader cannot afford, for domestic reasons, to preside over the dis-mantling of the Soviet Empire, even though he may favour a limited degree of regional autonomy.
At the same time, a brutal

suppression of the Lithuanians would jeopardise the good rela-tions with the US and other Western countries which he has so painstakingly built up, as well as undermining the arms control negotiations in which he has invested so much of his energies and reputation. The Western countries have

The Soviet Union versus Lithuania is not just a football match in which you support either one side or the other

gressive dissolution of the Union. Even some of the higher echelons of the Soviet armed forces are reported to be openly critical following the decline of Soviet military strength in eastern Europe.

The Baltic states, it is argued their supporters, are a special case, by virtue of their his-tory and culture. They could be given their independence without affecting the unity of the rest of the country.

But can this proposition really be sustained after what has happened in Georgia, Moldavia and Azerbaijan and in the light of the growing wave of Ukrainian nationalism? Mr Gorbachev, judging by

some of his pronouncements, certainly appears to fear that

a similar interest in preserving good relations. It is not a matter of supporting Mr Gorba-chev at all costs or approving everything that he do

What is at stake is that the ground should not be cut under the feet of the only Soviet leader who has proved himself capable of laying the foundations in his own country for the kind of democratic society and market economy with which the West can live in harmony - "do business," as Mrs Margaret Thatcher would say.

He may have a long way to go, but for the moment there is no-one better in sight and there is always a risk that the Soviet Union may revert to its old habits.

What then can the West do

to support what is, after all, the democratically-expressed desire of the Lithuanian people that their country should become independent, while urging both parties to settle their differences by negotiation? There are clearly limits which Mr Gorbachev must not be allowed to transgress with-out provoking a reaction from

President Bush has said that Mr Gorbachev knows what these limits are and one can only presume that they consist of the full-scale use of military force by the Soviet Union to bring the Lithuanians to heel A decision to escalate the already-existing embargo on oil and gas supplies into a total economic blockade would also, no doubt, trigger some kind of

a Western response. There is no secret about the eapons that the West could employ to express its disap-proval and persuade Moscow to adopt a more conciliatory stand Plans by the US to grant the Soviet Union most-favoured nation status and proposals for a relaxation of Western restrictions on high technology exports to the Soviet Union could be suspended.

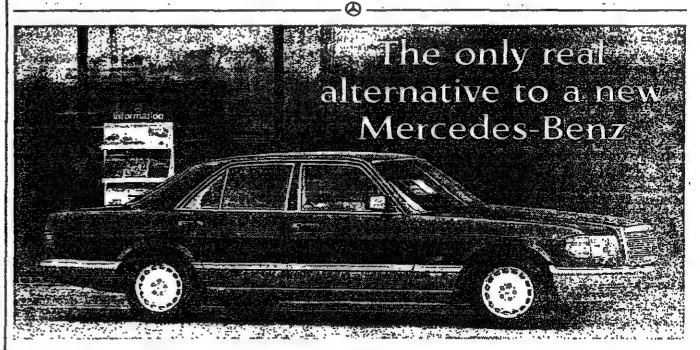
As a last resert, arms control negotiations in Vienna and Geneva could be postponed, as could the scheduled Soviet-American summit in Washington at the end of next month, although that could harm the West at least as much as the

Soviet Union. Conventional arms reductions in Europe are arguably of greater importance to the West than to the Soviet Union and the postponement of the summit could result in a serious set-back to the process of German reunification.
Yet the onus of finding a

way out of the Lithuanian crisis is not entirely on Mr Gorba-chev. Mr Vytautas Landsbergis, the Lithuanian president and his government have some responsibility in the matter. They have forced the Russian bear against the wall, where he is at his most dangerous.

Less precipitate action might have enabled them to reach a negotiated agreement leading to independence, if not immediately, at least at the end of a reasonable period.

A compromise must continue to be the aim, perhaps in the form of a two-year freeze of as Mr Landsbergis finally suggested in an interview at the weekend. For, if it came to a straight choice between invoking the wrath of the West and conserving his own posi-tion at home, Mr Gorbachev is bound to choose the latter



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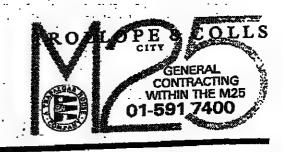
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FINANCIAL TIMES

Tuesday April 24 1990



ANGLO-FRENCH PROJECT

Eurotunnel to seek extra £2.5bn

By Andrew Taylor, Construction Correspondent, in London

another £2.5bn (\$3.26bn) to cover the increased cost of building the Channel tunnel were announced yesterday by Eurotunnel, the Anglo-French

Channel tunnel group.

The money would be in addition to the £6bn already raised by Eurotunnel from international banks and shareholders. The group said the cost of building the tunnel had risen by a further £500m since it esti-mated last October that it would cost £7bn to complete the project. This compares with an original estimate of £4.87bn in November 1987. The extra money to be raised by Eurotunnel includes a contingency of about £1bn to cover any further unforeseen

increases in costs.

Eurotunnel's share price yesterday rose by 10p following an enthusiastic response by French investors to the news that engineers digging the three 50km tunnels under the

PLANS to raise as much as Channel had reached the halfway point on Saturday. Eurotunnel has more than 400,000 French shareholders compared with just over 100,000 British shareholders.

Mr Alastair Morton, Eurotunnel's chief executive who has previously criticised contractors for poor performance and delays, said there had been a dramatic improvement in tunnelling rates during the first four months of this year. He said the group, which

yesterday announced its annual results, planned to raise between \$250n and \$2.55n of additional finance. Mr Andre Benard, Eurotunnel's chairman, said he expected the final amount to be "not far from the higher figure, when we finish the operation."

About £2bn is expected to be

raised from bank loans and up to £500m in new equity or quasi-equity, possibly involving some form of messaning finanissue was planned for the autumn, with British and French engineers due to complete the service tunnel at the end of November.

Eurotunnel said the latest estimate of the cost of completing the project of £7.5bn included £500m to meet higher tunneling costs. These had resulted from employing more construction workers to speed up digging and from higherthan-expected interest charges and inflation.

A further £175m had been added to costs to take account of fees and interest charges which will have to be met to raise the extra £2.5bn proposed by Eurotunnel.
Higher costs had been offset
by £200m of savings identified
during a cost reveiw undertaken by Eurotunnel and its

Some savings will arise from a reduction in the top speed of shuttle trains using the tunnel Eurotunnel disclosed that the value of claims for additional payments made by con-tractors had risen to £700m at 1985 prices. These claims were strongly disputed by Eurotun-nel, said Mr Morton. The group however had included an estimate of its possible liability in the increased cost figure.

David Lascelles, Renking Editor, writes: Although bankers are worried by Eurotunnel's escalating costs, they gave a generally positive reaction to wasterday's appropriate to wasterday's appropriate. tion to yesterday's announce-ment because it clarifies the

More than 200 banks will have to approve the new loans, but the leading banks are expected to recommend a go-ahead on the basis of the much stronger progress now heing made by the company. However, the banks will demand tougher terms because they have factored higher interest rates into their calcu-

UK wins nuclear fuel reprocessing order

BRITAIN'S controversial Sellafield nuclear factory has won a contract worth \$225m (\$367m) to reprocess 450 tonnes of spent fuel from West Ger-

many.

The contract for the plant in Cumbria, north-west England, which has suffered a series of nuclear leaks and accidents in recent years, is the first in a batch totalling about £750m expected to be signed with West Germany in the next few

The state-owned British Nuclear Fuels, operator of the factory, is signing the contract at Lingen, West Germany

The company was also given permission to extend the life of two of its nuclear power sta-tions at Calder Hall, Sellafield and Chapelcross in southern Scotland after a review of their safety record by the Govern-ment's Health and Safety Exec-The likely batch of repro-

substantial work for Sellafield throughout the first decade of the next century. Together with expected orders from Brit-ish power companies, they rep-resent nearly half the repro-cessing capacity of Sellafield during that decade. The plant employs about half the fuel

group's 16,000 workers.
The factory specialises in chemically treating highly radioactive nuclear fuel removed from reactors to reclaim unburnt uranium and plutonium fuels.

The most recent controversy to hit the plant was a statistical study published in February which suggested that past practices at Sellafield may have exposed some workers to enough radiation to induce leu-kaemia in their children.

The latest West German order represents the first overseas business signed up for the second decade of operation of Sellafield's new 21.85bn reprocessing plant, still under con-struction, from the year 2003.

The first decade of operations for the thermal oxide reprocessing plant (Thorp), expected on-stream in 1993, has been reserved for power companies in Britain, western Europe and Japan, which have financed the proj-ect with advanced payments that commit all 7,000 tonnes of its reprocessing capacity. The value of this business to BNFL is estimated at about £5bn.

The second decade starts with the advantage that Thorp's capital cost will have been amortised, so reprocess-ing costs should be signifi-cantly less. But based on the price of the contract to be signed today, BNFL can expect to earn another £3.5bn if it again fills the 7,000 tonnes of

reprocessing capacity.
Today's signing covers all reprocessing requirements for the 1,245MW pressurised water reactor at Lingen, near Dortmund for 17 years from its commissioning in 1988. The reactor is owned by the

Vereinigte Elektrizitätswerke Westfalen (VEW) and operated by Kernkraftwerke Lippe Ems, which has negotiated the con-tract with BNFI.

Mr Neville Chamberlain, BNFL's chief executive, said he expected the company to win about 45 per cent of Germany's new reprocessing business, with the French company Cogema probably receiving the rest at a similar price.

Negotiations began between Cogema and German power companies last year following a German decision to abandon plans for its own commercial reprocessing operation at Wackersdorf, when costs of assuaging environmental objections ran out of control. BNFL also hopes to negotiate jointly-owned nuclear fuel facilities with oversess customers, including a European factory making commercial fuel from plutonium recovered from its reprocessing

White House ousts Pentagon agency chief

By Lionel Barber in Washington

THE Bush Administration has removed a leading proponent sition from powerful figures icy to meet the economic challenge of Japan and western

Mr Craig Fields has been abruptly removed from his post as head of the Pentagon's Defence Advanced Projects Agency (Darpa), which has funded a host of high-technology projects such as super-fast computers, lightweight satellites and small rockets.

Mr Fields, 43, a former Har-vard University professor and computer scientist, was some-thing of a hero in Congress where many politicians sup-port federal efforts to stem the erosion of America's industrial and high-technology base.

However, he attracted oppo-President Bush's Budget Director, and Dr Michael Boskin, chairman of the President's Council of Economic Advisers.

The removal of Mr Fields last Friday is intended to end the debate over an industrial policy but is certain to provoke a row with Congress, which boosted funds to Darpa to more than \$1bn in the current fiscal year, while cutting the total

defence budget.

"Craig Fields is a national asset who had the misfortune to work for an Administration that decry't that doesn't recognise true gold from false," said Senator Al Gore, the Tennessee Demo-urat who chairs the Jenate gol-

The immediate cause of Mr

Darpa's decision to invest \$4m in Gazelle Microcircuits, a small company in Santa Clara, California, which makes special materials for computer

chips.
Mr Donald Atwood, deputy secretary of defence and a former senior executive at General Motors, objected to the investment because it smacked of industrial policy and was not directly related to military

Mr Atwood has made it clear that while he supports Darpa, its research and investment must focus on weapons systems and leave civilian research and development to the private sector and market

investment failed to most these criteria and was reportedly not cleared with higher authori-ties. Last week Mr Fields was informed that he would be fired if he did not resign, or accept a transfer effective from

While Mr Fields' removal is expected to spark a row in Congress, the turning point in the Administration's internal debate over Darpa's role came last year when Mr Robert Mosbacher, Commerce Secretary, retreated from promises to secure federal funding to promote high-definition televis Mr Fields' removal could be a devastating blow to Darpa.

Rover offers jobs and hours deal in UK

By Michael Smith, Labour Correspondent, in London months ago

ROVER GROUP of the UK is to create up to 1,200 new jobs at its Midlands plant, the biggest single expansion there for a decade. This follows its negotiation of an hours deal which union leaders say is the best for car workers anywhere in the world.

The agreement, if confirmed in plant-wide ballots, will enable Rover to become the to introduce seven-day continuous production.

The move is aimed at meeting growing demand for its newly introduced Rover 200 and 400 medium-market cars. Recruitment of 1,200 workers would mean the number of manual employees at Longbridge growing to more than

11,000, against about 8,700 18

The 1,200 increase represents the biggest expansion since the company took on extra workers in 1980 to launch the Metro. Providing Longbridge's 10,000 manual employees approve efficiency measures accompanying the deal, the standard week for day workers would fail by two hours by the middle of the year.

This would make them among the first day workers in British engineering to enjoy a 37-hour week, as most shorter-hours agreements elsewhere are being phased in over sev-eral years. They would have every Friday afternoon off. Workers employed in the Series 200 and 400 engine and gearbox production areas,

where continuous production

is being introduced, would enjoy an average week of 31% hours. In a five-week cycle, they would work 18 days and their 17 days off would include one rest period of seven days and another of five. Existing three-shift workers would see their hours fall by 1% to 36 with no Friday night

working.
The deal is likely to be followed by other hours' cuts in arrangements at Rover's other three plants in Cowley, Swindon and Solihull, which employ 20,000 manual workers. It is likely to increase significarrily the pressure on other car manufacturers to reduce hours, particularly Nissan, which negotiates a pay agree-ment later this year.

automotive officer for the TGWII general workers' union said the deal set standards for other motor manufacturers to follow. His union would ensure similar claims were pursued

Rovers' willingness to concede a shorter week stems from the success of its 200 and 400 Series cars, launched in October and March respectively. Demand is running at dented levels for a new

tors' euphoria yesterday, there may be resistance on the shop floor to productivity meas Mr Jack Adams, national expected to start next week.

Despite the union negotia-

elsewhere.

including increased line speeds, which are proposed as part of the deal. Bailots are

Lithuanian delegation meets wall of silence in Moscow

By John Lloyd in Moscow and Robert Taylor in

THE Soviet Union refused to meet Lithuanian envoys in Moscow yesterday as it continued the pressure of its energy blockade on the rebellious rapublic.

Professor Brunius Kuz-

Professor Brunius Kuzmickas, deputy chairman of
the Supreme Council, arrived
in Moscow with six colleagues,
but said he could persuade no
one in the Soviet government
to talk to him.

He said he had been trying
to contact Mr Vadim Bakatin,
the Interior Minister and Mr
Anatoly Lukyanov, the Chairman of the Supreme Soviet,
but with no response.

Lithuania's position is

Lithuania's position is becoming increasingly desperate, as the sale oil refinery at Municipal began to close down yesterday at midday, five days after supplies to it had been cut. Private cars have been limited to 30 litres a month, and many plants are expected. and many plants are expected to close this week.

to close this week.

Mr Arkady Masicanticov,
President Gorbachev's spokesman, suggested that Moscow
would not insist on an outright rejection on the declaration of independence. His comments appeared to keep alive
the possibility of negotiations
through the compromise of a
two-year freeze on the indenendence declaration.

Considerable confusion

Considerable confusion remained yesterday over the terms of a Lithmanian compromise, reflecting the clash between rallials and moderates in the leadership.

Over the weekend Lithmanian officials, including President Vytautas Landsbergis, mooted the possibility of a two year trace on independence at year freeze on independence at a basis for negotistions. However, Mr Valdemaras Eathus, deputy foreign minis-ter and Mr Ceslovas Stankeri-tins a dermix chalcons of the

cius, a deputy chairman of the Supreme Council, said yester-day that no such compromise was possible. Mrs Kazimiera Prunskiene,

Mrs Kazimiera Prunskiena, Lithuanian Prime Minister, asserted in Stockholm that the government could not rescind its independence declaration. But she thought there was a strong chance that negotia-tions could begin shortly with Mr Maslennikov, asked

shout the Soviet government's view of a two year freeze, said "they can choose their own way to return to constitutional means — nullify the laws, impose a freeze, keep it for history or two years or what-ever. That is their business." He repeatedly denied there was a total blockade of the was a total antesate at the republic, saying that the embargo on oil and gas was merely "a more justified way of redistributing scarce

He said: "We are not trying to bring anyone to their knees... the reduction of oil and gas should be a telling sign for Lithuania. We could not continue to have a free for all of such resources in Lithua-nia while tractors were at a standatill in the Ukraine for the lack of fuel."

No concrete offers of aid were made to Mrs Principleme, who returned from a three day trip to Norway, Denmark and trip to Norway, Denmark and Sweden yesterday. Rarlier reports that the European Investment bank had promised to lend Lithuania \$100,000 were yesterday denied by bank officials.

The only tangible support

for the Lithuanian cause has been a promise from the Nor-wegian state-owned Statoil that it would be ready to sell Lithuania oil.

The Lithmanian Prime Min-ister added that her govern-ment had decided to establish a bank account in the Swadish capital which will be used to channel financial support from all over the world. No simple answers to Baltic

Hoylake abandons £13bn bid for BAT

Continued from Page 1 elements which have helped to

lift BAT's share price. The Hoylake bid suffered a serious setback two weeks ago when the California insurance department ruled against Hoy-lake's application to take over BAT and sell on its Los Angeles-based insurance sub-sidiary, Farmers Group, to Axa Midi Assurances of France. Axa yesterday confirmed it would drop its attempt to

acquire Farmers. Hoylake said it had baulked at the potential cost of pursuing an appeal, and winning the necessary regulatory approval in eight other states. "It's only too easy to get emotionally

involved — instead, we're talking about cold commercial logic," it explained. But critics of the bid had already cast doubt on the value of the original all-paper offer, especially after the collapse of the US junk bond market.

in BAT's nearly deserted offices late yesterday afternoon, there was no sign of cele-bration. Mr Sheehy said BAT would get together at an appro-priate time with its advisers, who will also have success related fees to celebrate.

BAT's defence costs at the end of 1989 stood at 256m, but even if they exceed £100m, this would amount to less than 10p

With BAT shares at 724p, down 4p before yesterday's announcement, Hoylake is sit-ting on a paper profit of about £23m on its 1.25 per cent stake In BAT.

Axa was yesterday taking a philosophical view of the withdrawal of the Hoylake bid. It said it would continue to look for a large US insurer to

BAT's merchant bank advisers were Lazard Brothers, S.G. Wartung, Goldman Sachs and Shearson Lehman Hoylake was advised by Hambros, Drexel Burnham Lambert and Bankers Trust.
Additional reporting by Wil-

liam Dankins in Paris

Sir James hands in his chips

The collapse of Hoylake's bid for BAT prompts the question of whether it deserved to be taken so seriously in the first place. Certainly, Sir James Goldsmith's trumpeted return to the UK has proved an ignominious failure. But it should be recalled that the early UK reaction to the bid was one of hostility not towards Hoylake, but towards BAT; and that Sir James accord an interest and that Sir James accord and interest and that sir James accord and interest and that sir James accord and interest and interest and interest and interest according to the six and interest a James scored an important early victory by enlisting a respectable ally in the form of

The chief reason for Hoy-The chief reason for Hoy-lake's failure lay in a central flaw in its much-touted philos-ophy of management. Bureau-cratic conglomerates like BAT were supposed by their nature to be incapable of change. In fact, BAT's management showed remarkable speed and flexibility in realising for shareholders the value which Hoylake largely sought for itself. Ultimately, this proved more decisive than the turn of events in the US, since it

events in the US, since it deprived Hoylaka of motive. The era of truly giant take-overs may now be consigned with some confidence to the 1980s. The biggest within the UK has been Gold Fields, at a mere £8.5bn. BAT, if pushed to mere £3.5bn. BAT, if pushed to a conclusion, would have been worth five times that, But the UK market should have long since adjusted to this, as should the BAT share price. After hours in New York yesterday, BAT fell by a mere 5 per cent. If the London price follows suit today, it will still have outperformed the market by 10 per cent since the day by 10 per cent since the day before the Hoylake bid.

There will be other repercus-sions: perhaps some specula-tion as to which composite insurer, for instance, will be Axa's next target. But it would take blind optimism to expect more fireworks from Sir James, who has nothing to show for his UK venture but the gratitude of BAT's share-holders and a hefty book loss on RHM.

Germany

It would be highly conve-nient, not least for Chamcellor Kohl, if yesterday's gentle decline in the German capital markets could be explained as a reaction to Bonn's monetary union proposals. Three months ago, the merest suggestion that East German Marks would be turned into D-Marks on terms the least bit favourable to Best Germans sent bonds into a sky-dive. But yesterday's 10-basis point rise in German bond, yields and the 25 per cent drop in the DAX index looked more

West Germany Benchmark Bond Yield (%)

like a response to bearish impulses from Wall Street than a considered judgment on what. Bonn is suggesting

Bonn is suggesting.

Quite apart from the risk that East Germany will simply say no, the disturbing elements in Bonn's proposals lie in what is being left unsaid. On the one to one conversion of East one-to-one conversion of East German wages and pensions and a large proportion of savings, the plan sounds clear. But there is no attempt to quantify the extra public spending West Germany will face Doubtless this depends on just how high unsupployment will rise in the east. And that depends on the manswerable question of how the east's newly-liberated industrial combines will sort out what they can pay their workers without going bust.

The trouble is that for inves-

tors, the budgetary question is now the prime irritant. Partly, this is because commentators this is because commentators' expectations are fluctuating wildly from DM10bm to DM10bm. Partly, it reflects the fact that the cost of reunification is the SPD's heaviest ammunition in West Germany's federal elections this year.

Eurotunnel

It can come as no surprise to Eurotunnol shareholdists that Eurotunnel alimentaliters that the costs of the project have increased again. After all, the latest figure 27.5 br — is precisely the level estimated, by the contractors back in October, albeit via different calculations. Even now, there remains a discrepancy of around 21 in, at today's prices, between Eurotunnel and TML's estimates of the hump aim costs. mates of the lump sum costs. expects, the project is not com-pleted on time, further costs will ensue. So the £1bm safety margin in Eurotunnel's funding proposals is not purely for decorative purposes.

The tunnelling is going well, and the banks can presumably be persuaded, by the right mar-gin and fees, to cough up the fight extra debt financing needed. Equity investors will need to pay 75p or so per share
- perhaps via a one-for-four
issue at 300p - to keep in the
game. Those who are not irredesemble enthusiasts will now be shifting attention to the company's revenue esti-mates, which are subject to an even greater set of impondera-bles than the cost forecasts. And, on those, it will not need much to go wrong for the first dividend payment to be pushed into the 21st century.

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Equities

There is a more bearish feel to the world's equity markets than before the Easter holidays. Until a week ago the 2200 level on the FT-SE 100 appeared a solid floor, and 9 per cent US Government bond yields sounded far too high. Now the UK equity market is having to focus on new benchmarks.

Admittedly, it has already fallen by over 12 per cent this year while the US and Continental European markets are little more than 5 per cent of their peaks. But it is hard to see the UK moving ahead when equities are continuing to fall elsewhere. The global bond markets still hold the key. Unlike in the UK, the recent setback in the US and Japanese bond markets is Japanese bond markets is nowhere near as severe as in 1987. Nevertheless, bond yields are rising far faster than equi-ties are falling, and traditional relationships eventually reas-cent themselves.

Ratners

Going by the headline fig-ures, the market still has it in for Ratners. After last year's 41 per cent growth in pre-tax profits, strong growth is promised again this year; but the prospective multiple is around seven, well below the sector and the market. The abortive Drams deal did nothing for the management's reputation for unpredictability. More funda-mentally, there is the faint worry that Rainers' phenome-nal success in taking UK jewel-lery down market might even-tually backfire. But this is to reachon without the control reckon without the growth Ratners' unique position in the UK market. If this year's expected earnings growth of 20 per cent materialises, the share price will take care of itself,

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NEWS. REVIEW

Business FIRMGUARD defence consortium

Privately-funded research and development by the FRMGUARD concortium has been undertaken to provide a customised solution to the Defensive Aids System (DAS) requirements for tanks and other armoured fighting vehicles. The FRMGUARD consortium comprises Ferranti vehicles. The FIRMGUARD consortium comprises Ferranti Instrumentation Manchester, Royal Ordnance Chorley, MEL Crawley and GEC Ferranti Defence Systems Edinburgh. FIRMGUARD will carry out a comprehensive threat analysis for a customer and propose a DAS suite, from amongst a series of sensors and countermeasures.

MicroPMS launch

MicroPMS the new Ferranti International entry level, industry standard control system, will be demonstrated system, will be demonstrated in the UK for the first time at the Control and Instrumentation Exhibition, being held at the National Exhibition

Centre, Birmingham, from 1 to 3 May.

Designed to meet the process industry requirements for a small flexible process controller to control or manage plant-cells, MicroPMS can be integ-rated into many different

Briefly...

Ferranti Computer Systems has acquired exclusive dis-tribution rights in the UK and Eire for the advanced personnel time recording and secure access control management systems designed by Interflex Datasystems GmbH of West

A new, fully dedicated training and demonstration centre for Metrology Systems has been opened by Ferranti Industrial Electronics at Hanworth in Middlessx.

-ADVERTISEMENT -

Oberon trials success

HMS Opossum, the first of the Royal Navy's Oberon class submarines to be fitted with the Triton Type 2051 sonsor and digital DCH action information and fire control ayamanousced last year and team has successfully completed a series of torpedo test firings.

The tests included the launches of salvos of wire guided Tigerfish Mk 2 torpedoes—a first time from an Oberon—demonstrating that the DCH system complements the installation of improved performance sensors including the tilight trajectory and maintaining separation so that they do not interfere with each other.

The sea trials are part of the routine for getting the submarine back into service after a major refit. The object being to carry out a thorough systems command team with a comprehensive tactical picture on or there were analysed the final stage.

SIMULATORS **New Trainer for Nimrod**

Ferranta International has is that students can be trained delivered a basic communications procedures trainer to the Royal Air Force Support Command at Finningley in Yorkshire.

The trainer, which is the first to reflect exactly the updated to reflect exactly the updated system Ferranti Computer Nimrod maritime reconnaissance aircraft communications fit, will be used to train up to eight aircraft crew training base in the UK. The trainer can simulate up to eight aircraft aircorne at any simulated radio communication training from basic, through advanced procedures to refresher levels.





WORLDWIDE WEATHER

FINANCIAL TIMES COMPANIES & MARKETS

THE PINANCIAL TIMES LIMITED 1990

Tuesday April 24 1990



Framatome strikes back in war of wills

Framatome has launched the latest offensive in a war of wills which threatens to divide the French Government and strains relations between Paris and Bonn. The French nuclear plant builder is resisting attempts by CGE, its largest shareholder, to take majority control, William Dawkins reports. Page 28

Hard news in the free world



Things are happening in the French free newspaper industry. Spir Com-munication, (logo left) which was floated on the Paris second market in

September, is alming for a 50/50 split between French and foreign business by seeking joint venture and acquisition opportunities outside france. Meanwhile, Comareg, the leading French free newspaper group, finally made its way onto the stock market in a flotation that valued the company at FFr2.2bn (\$393m).

Weak market with a silver lining Results from property groups have left little doubt that the UK commercial property market is weak. Hammerson, the most diversified of the major British property investment and development groups, saw its "A" share price tumble by 23p to 720p on flat results for 1989. But there are two sides to every coin and Hammerson, a strongly financed group, is looking forward to "some good buys" in a slow market.

The facts on flax

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Flax is staging a remarkable comeback, not least because of researcn into its nutritional qualities. This is good news for farmers on the Canadian praires. Canada la the world's biggest produces of whort-fibre flax. If the rosy predictions of some in the industry come true, flax could be one of

the stars of soft commodity markets in the 1990s, reports Bernard Simon. Page 42



Time Warner did not expect much from its movie's surprising success meant that the group recorded a sharp increase in first quarter film profits. However, the heavy interest burden arising from a debt of \$10.8bn meant an overall net loss of \$51m. Page 27

Market Statistics

Pass lending uses Benchmark Govt bonds FT-A indices FT int bond service

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Companies in this section

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Central Independent
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Fay, Richwhite

28 Globe Investment 32 Guioces Abitibi-Price Hambro Megan Hammerson Hartons Group Hunting
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26 Travis Perkins
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Chief price changes yesterday

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RARA	556	-	19	UF	898	+	34.6
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Californias	45	+	10 -	NatWest Back	317	-	16
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Spain plans mergers law to end tax break

THE SPANISH Government plans to introduce a new law to discourage companies from merging to take advantage of tax breaks on the capital gains that normally result from revaluing

merging assets.

The move comes just a few days after Madrid agreed that Banco Espanol de Credito (Banesto) would not have to pay Pta 19.2bn (\$180m) in taxes on the capital gains from a plan to merge all its industrial holdings

A senior finance ministry offi-

cial said yesterday the Govern-ment expected a flood of new merger applications. Under Spanish law, the state can forgive capital gains tax on

up to 99 per cent of the gains that result from revaluing assets dur-The official, who did not wish to be named, said a new mergers law would allow merging compa-

nies merely to defer payment of the ensuing capital gains tax until any of the merging assets

The Government, at first, did not regard it is a legal merger as all the holdings, one way or another, were already Banesto's. Mr Mario Conde, Banesto's president, had personally to convince Prime Minister Felipe Gonzalez that the merger was in the national interest.

It remains unclear quite how

JULY 11 1989:- HOYLAKE, LED BY
SIR JAMES GOLDSMITH (CENTRE), JACOB ROTHSCHILD

SEPTEMBER 26:

PATRICK SHEEHY

FIGHTS BACK WITH

BAT'S CHAIRMAN,

PLANS TO SLIM

DOWN THE

GROUP TO CORE BUSINESSES-TOB-

ACCO AND FINANCIAL

SERVICES

(LEFT) AND KERRY PACKER, LAUNCHES

Banesto's application for tax forgiveness of Pta 44bn for uniting its huge industrial holdings under one roof, the Corporacion Industrial y Financiera, was confirmed by Financiera, was confi hugely important in Spain. Many analysts remain con-

vinced that Mr Conde was given the tax break because he was a potential political threat to the governing Socialists and because the capital gains from the merger would strengthen the parent bank's balance sheet.

"Mergers in Spain are happen-ing for financial, not strategic, reasons," said the official, who

suggested that the merger between two of the country's big-gest savings banks, the Caixa de Pensiones and the Caja de Barcelona, was probably motivated by the potential tax break on the Ptal66bn in capital gains the merger will generate.

The merger of Banco Bilbao and Banco Vizcaya to become the country's biggest bank two years ago, was encouraged by Madrid with the help of full 99 per cent tax forgiveness. Finance ministry officials assume that all banks with industrial holdings, includ-

AUGUST 23:- HOYLAKE SAYS CLAUDE BÉBÉARS AXA MIDI

WILL ACQUIRE BAT'S FARMERS

APRIL 9 1990:- ROXANNI GILLESPIE

COMMISSIONER, RULES AGAINST AXA TAKING OVER FARMERS.

CALIFORNIAN INSURANCE

On the first score, yesterday's news really changes very little.

The restructuring taken on by

BAT in the wake of Hoylake attack - which involved shed-

ding the retail and paper busi-nesses, paying out higher divi-dends and buying in its shares – has already been thoroughly debated. Even if there is little industrial logic in the insurance-

and tobacco combination, most

institutional shareholders have professed satisfaction with BAT's

solution, at least for the time

SUBSIDIARY IF BID SUCCEEDS.

ing Banco Bilbao Vizcaya, Banco Central and Banco Santander will now try to merge them under new holding companies to gain similar tax benefits to those granted to Banesto.

The finance ministry official did not say whether a new law would be retroactive, though this seems unlikely. Given that it would take at least 18 months to bring a new law into force, banks and industrial companies still have time to make merger plans to take advantage of existing reg-

SEPTEMBER 15

FORMALLY LAPSES

ON SEPTEMBER 29

HOYLAKE ABANDONS THE FIGHT

NIOWUNNE

TAKEOVER PANEL RULES THAT HOYLAKE

CAN EXTEND

BID TIMETABLE

When the unbundling had to stop

Nikki Tait examines Hoylake's defeat in the battle for BAT

her, yesterday after-noon, Sir James Gold-smith's Hoylake consor-tium declared it would not renew its takeover assault on BAT Industries, it was bowing to an outcome that had increasingly seemed inevitable.

The writing has been on the wall for some weeks at least, a fact offered eloquent testimony by the slide in the BAT share price from 809p at the start of the year to 724p ahead of yesterday's statement (adjusting for the demerger of BAT's former Argos subsidiary).

For a start, there was the problem of how a new assault might be financed. Drexel Burnham Lambert, the now-collapsed US junk bond investment bank, fea-tured prominently in the original funding structure last summer. In the wake of Drezel's demise, the Goldsmith camp suggested that a renewed bid could still be funded. There would be equity input from consortium members and their French ally, Axa Midi Assurances; proceeds from the pre-sale of BAT's US insurance subsidiary, Farmers Group; plus a certain amount of conventional bank debt. Yesterday, there were indications that consideration

bringing in additional partners. However, even on that basis. the transaction appeared to be anything but plain skiling. A far more cautious approach is now being taken by bank lenders towards acquisition funding. The sheer scale of the BAT enterprise suggested difficulties: a renewed assault on BAT — even after it had slimmed itself, in response to the Hoylake threat, to a tobacco and financial services conglomerate - might have necessitated raising around £10bn.

A more immediate obstacle was provided by the US regulatory process. From the outset, it was obvious that Hoylake would nred permission from nine state insurance departments for the transfer of ownership of Farmers.

By bringing in Axa Midi Assur-ances as the potential buyer of Farmers, it hoped to ease these problems. But a damningly adverse ruling earlier this month from the authorities in Calif-ornia, where Farmers is based, suggested that these hurdles would take many months to over-come. The insurance officials had clearly absorbed the arguments

raised by Farmers' lawyers. Even if the complex Axa/Farmers transaction had been restructured, there was little guarantee

California, after all, has had it own problems with leverage and junk bonds in the form of First Executive, the local insurer which invested heavily in Drexei paper. It is also tuseling with the implementation of Proposition 103, the insurance rate reform initiative. Officials did not need the additional strains which the Aza proposals, unless radically altered, might have put on the state's second largest auto-in-

And Ara/Hoylake had barely begun to tackle the problems which might be raised in other

states - such as Ohio, Texas and Oregon - where hostility was likely to be greater still.

Yesterday, one Hoylake representative summed up the final decision neatly by saying that the "risk-reward" ratio of battling on any further simply looked wrong.
But if an end to the battle has

been on the cards for some time, the cessation of hostilities leaves come unanswered questions First, what does the future hold for BAT? Can it successfully combine tobacco and financial services operations? Second, what remains of Sir James Goldsmith's re-emergence on the UK stage, and his partnership with Jacob, now Lord, Rothschild? And, finally, where does this

being.
Assessing the long-term success of the plan, meanwhile, has been hampered, by the regular presence of BAT's brokers in the market, and the continuing speculation about Hoylake's inten-tions. Both have provided some prop to the BAT share price; the leave the prospects for leveraged bids in the UK?

real test has yet to come.

As for Sir James, he was on a plane to the Far East yesterday and out of contact. The message from representatives of the Rothschild camp in London was that the decision on BAT should be taken in isolation. "This doesn't impact on the Ranks Hovis McDougall situation at all," commented one spokesman. He was referring to the 29.9 per cent holding which the same Rothschild-Packer-Goldsmith combination has in the food and bakeries group, its other major foray into the UK corporate sec-

Other situations, he added, might still be examined. That said, no one pretends that the world has not changed quite significantly over the past nine months. "Junk bonds are history,

and leveraged deals are difficult - but they need not be impossible," seemed to be the thinking.

Just how possible — and how
quickly the banking community is prepared to edge back into this arena — has yet to be demonstrated. While the UK economic situation remains shaky there is every possibility that more high-ly-leveraged transactions will face difficulties. Only when the general UK situations turns, and interest rates ease, does there

ness picking up.

How long the pause may last is a matter of lengthy debate among investment bankers. Only when it ends will it be possible to see if Hoylake has indeed, as it claims, "won the intellectual battle" even though it lost the war on the ground.

seem much chance of this busi-

Exxon earnings steady at \$1.28bn

By Roderick Oram in New York

EXXON, the world's largest oil company, has reported flat first-quarter earnings with higher oil earnings abroad offsetting lower earnings in the US and a worldwide decline in chemicals.

Net profits for the three months ended March were \$1.28bn, or \$1.01 a share, against \$1.275bn, or 99 cents, a year earlier. A one-time gain from a change in accounting rules made the final net \$1.81bn, or \$1.41, in the year-earlier quarter. Revenues rose 20 per cent from \$22.26bn to \$25.71bn.

The results were broadly in line with estimates of analysis who are forecasting full-year earnings of about \$3.80 a share,

up from \$3.65 last year.
The company made no further provisions for the cost of cleaning up last spring's Exxon Valdez tanker spill in Alaska. Work resumes this spring and the company faces indictments

carrying some \$600m to \$700m in fines, plus a raft of civil law

First-quarter sales growth reflected increased crude produc-tion and higher sales of natural gas, petroleum products and chemicals. But operating earn-ings from most of Exxon's sectors

failed to keep pace.

Earnings from petroleum and natural gas exploration and from production in the US was flat at \$355m, against \$357m, while they rose abroad to \$730m from \$590m. rose abroad to \$730m from \$590m.

Production of liquids rose by
31,000 barrels a day to 1.82m
worldwide, raflecting Exxon's
purchase of Texaco Canada and
higher production in the North
Sea and Australia.

Gas production grew 3 per cent
to 6,573m cu ft per day. Refining
and marketing dropped to a lose
of \$28m in the US, from an operating profit of \$37m but rose

ating profit of \$37m but rose abroad to \$219m from \$138m.

Margins were higher, particu-larly in Europe, but US operations were affected by a loss of operating capacity at its Baton Rouge refinery after a

Worldwide, product sales grew by 3 per cent to 4.62m barrels. Earnings from chemicals fell in the US to \$120m from \$244m and abroad to \$61m from \$161m. The sector was hurt by higher feedstock prices, lower product prices and the industry's cyclical down-

●Amoco, the US oil and chemicals group, lifted first-quarter earnings to \$466m or 91 cents a share from \$458m or 89 cents a year ago. Revenues rose to \$7.1bn from \$6.5bn last time. It said the gains in 1990 first-

quarter earnings reflected improved performance by US exploration and production operations primarily resulting from higher crude oil prices.

Aquascutum backs Renown offer

By Andrew Bolger in London and lan Rodger in Tokyo

JAPAN'S biggest clothing group, Renown Incorporated, yesterday made a recommended cash offer for Aquascutum Group which valued the British classic clothing company at £73.8m (\$120m). The Renown offer has been

unanimously recommended by the board of Aquascutum, which has been under slege from a consortium of dissident shareholders seeking to enfranchise non-vot-

ing shareholders.

Renown is offering 556p for each of the 3.5m ordinary shares and 200p for each of the 27m restricted voting "A" shares, with a loan note alternative. Following the bid announcement, the ordinary shares jumped by 205p to close at 545p and the "A" shares

rose by 57p to 200p.

After buying shares during the day, Renown said last night it spoke for 78.9 per cent of the ordinary shares and 35.5 per cent of the restricted voting "A" shares,

comprising 40.4 per cent of the total share capital. Subject to receipt of promised acceptances, the offer would be declared unconditional.

Mr Kazuya Imai, senior ma ing director of Renown, said the purchase of Aquascutum's top-quality brand was the first step in his group's new policy to establish a "global fashion net-work" that would involve not only licensing and design, but also production, planning and direct sales around the world Until now, Renown has had no links with Aquascutum, which is a well-known name in Japan. Mitsubishi Corporation, the Japa-

nese trading house, inports some Yidon (\$89m) worth of Aquascu-tum products a year and more than 10 other companies mannfacture Aquascutum products in Japan under licence.

Mr Imai said he anticipated no changes in these arrangements

as a result of Renown's expected takeover. Renown had not decided on whether to import any quascutum products itself. Renown said the existing management of Aquascutum would be retained and its headquarters

would remain in the UK. Mr Brian Myerson, chairman of the dissident Waterfall consortium, said he was unhappy both with the valuation put on Aquascutum and the proposed price split between ordinary shares and restricted voting "A" shares.

Although he accepted that Renown had won control of the company, Mr Myerson said Waterfall would continue to use its share stake to press for a bet-ter deal for the "A" share hold-ers, who he believed should be receiving closer to 244p per share. Renown had consolidated net current assets of Y107.8bn at the end of last year. The global network, Page 33

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We are pleased to announce the opening of our office in Berlin where Frau Dipl-Jur Bärbel Luther, Herrn Dr Günter Willma and Herrn Dr Wolfgang Buchholz will be practising as resident lawyers

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INTERNATIONAL COMPANIES AND FINANCE

Framatome counters bid by CGE

By William Dawkins in Paris

yesterday launched a counterattack against attempts by CGE, the French telecommunications and engineering group which is its largest share-holder, to take majority con-

This brings to a head a lingering row which has poisoned relations between CGE and Framatome for years, threatens to divide the French Government and has prompted questions from a West German Government anxious about the future of a one-year-old joint reactor exporting venture between Framatome and a subsidiary of Siemens.

For it is less than two years since CGE merged its engineering activities with Siemens' arch rival - at least in this

sector - Britain's General Electric Company. Mr Klaus Töpfer, the West German Minister for nuclear safety, even demanded assurances from Mr Roger Fauroux, the French Industry Minister, on a visit to Bonn earlier this month, that the dispute would not jeopardise Franco-German nuclear co-operation.

The latest outbreak of hostility hetween Mr Jean-Claude Leny, Framatome's chairman and Mr Pierre Suard, at the head of CGE, began late last month, when CGE, owner of 40 per cent of the nuclear plant builder's shares, revealed that it planned to buy by the end of this month another 12 per cent held by willing seller Dumez, the French construction group.

Mr Suard announced, to the

FRAMATOME, France's minded Mr Leny, that he leading nuclear plant builder, planned to run a 52 per cent owned Framatome as a direct subsidiary.

Framatome's other big shareholders are CEA, France's atomic energy authority, with 35 per cent plus EdF, the public electricity utility, holder of 10 per cent, giving public sector shareholders so far loyal to the plant builder's management - a com-

bined 45 per cent stake. The CGE-Dumez deal was the last straw for Mr Leny. who has never got on with Mr Suard, since his arrival at CGE in 1986. Mr Suard has criticised the way Framatome has handled its attempt to diversify into electrical connectors beyond the shrinking market for nuclear plant and the terms of its link-up with Siemens.

CGE thinks Framatome needs a powerful industrial partner to help it through the downturn in demand facing the nuclear plant industry, say

"It would give us a complete catalogue of civil engineering in the nuclear industry," adds CGE, whose products include electrical equipment for nuclear plant. Framatome has not had an

export order for four years and it now has only 11 plants under construction, six to seven less than in 1987. Framatome, which last year reported a turnover of FFr20bn (\$3.53bn), simply wants to be left alone to pursue its alliance with Siemens until nuclear plant demand picks up. as it expects, towards the end of the decade,

Moreover, it privately suspects CGE of wanting to get its hand on Framatome's FFr7bn cash

This is a sensitive problem for the French Government, because it is largely thanks to Framatome's reactors that France is the world's most nuclear dependent country, in which more than 70 per cent of the nation's electricity is nuclear generated.

Mr Suard is viewed with less than complete trust by the Socialist establishment because of his close links to the Gaullist party, to which the CGE is an industrial figure-head of the French right-wing. It was, after all, the previous Gaullist Administration that privatised the formerly public CGE three years ago.

Framatome's counter-plan, devised by the London-based merchant bank, Salomon Brothers, would oblige CGE and Dunez to sell their stakes, worth an estimated FFr4bn to FFr5bn, to a mixture of public hareholders, other French industrial companies, among ing group, has shown interest and individual investors, including Framatome's own

"We think an amicable divorce is the best response. It's not out of animosity against Mr Suard - rather its a question of strategy," said Mr Marcel Chabrillac, Framatome's director of nuclear engineering. The scheme, pres-ented to the Finance and industry ministries, would lift the public sector's stake to just three private industrial investors with up to 45 per cent, and the remainder with outside individuals and staff.

This plan is competing against an alternative power-sharing proposal concocted by the free market-minded Mr Roger Fauroux, the Industry Minister and favourably viewed by Mr Michel Rocard, the Prime Minister. They are both understood to be irked by Mr Leny's refusal to see eye to eye with Mr Suard, who, hav-ing started the controversy, is now thought unlikely to reject

the compromise out of hand. The idea is to set up a holding company owning 97 per cent of Framatome - the remaining 3 per cent is already held by its staff - which would be split down the middle between CGE and public sector shareholders.

To complicate matters fur-ther, President François Mitterrand turned down a similar peace plan devised by Mr Fau-roux last autumn, on the grounds that it was unwise to let a company so important to French public interests pass into the control of a single private sector shareholder. Framatome directors do not see why he should change his

Mr Rocard's is are now busily seeking a consensus between the rivals in this com-plex debate. Whatever the end result, the contest indicates that, despite the Government's attempts to keep a hands-off approach to companies in which it holds a stake, French politics and business are still inextricably mixed.

Ratners up 41% despite difficult climate

By Maggie Urry in London

PROFITS at Ratners have lost none of their sparkle while other high street retailers in the UK have struggled. The UK's leading jewellery group yesterday announced a pre-tax result of £121.5m (\$198.7m) for the 53 weeks to February 3 1990, a 41.2 per cent rise over its 286m for the previous 12 pounded over the last five

The group's shares, which have been weighed down by issues made to finance acquisitions and by analysts' fears of posaible diversification, closed ip higher at 227p. Mr Gerald Ratner, chairman

and chief executive, said he was "delighted" with the fig-ures, achieved in a difficult retailing environment. He said the group had shown eight years of solid growth and that sarnings per share had risen by 40 per cent per annum com-

PROTE. The group's stores achieved like-for-like sales gains ranging from 7 per cent in the US to 24 per cent in the UK Zales chain during the 53-week period. In the first few months of the new year, comparable store sales gains were ronning at more

than 20 per cant in the group's three UK jewellery chains, Mr Rather and He added that the group's aim was to increase its share of the UK market for jewellery currently worth about \$2.7bn in total - from 31 per cent to 50 per cent within three years, and to gain 10 per cent of the \$20bn US market in the medium term.

This would give the group the potential to make profits of "hundreds of millions of pounds." It did not need to issue shares to make the small acquisitions in the US, he said.

The pre-tax profit figure includes £13.3m income, from property disposals and profit on sale of investments. Excluding that income, profits were up by a third to £108.2m.

mp by a third to £108.2m.

Mr Andrew Coppel, the finance director, expected income from property disposals to be much lower in 1990.

Fully-diluted earnings per share rose 14 per cent to 30.2p, held back by share issues, but the total dividend is being increased by 26.7 per cent to increased by 26.7 per cent to 9.5p with a proposed final of

7.5p. Lex, Page 24

NEWS IN BRIEF Suchard petition

COMAREG, the leading French free newspaper group, finally made its way on to the stock market last week in a flotation that valued the company at

former owners, but lost \$50m in 1989. The loss was attributed to management mistakes and an inability to understand the US candy market. The com-

pany's poor performance led to the FTZ request. Suchard said in its petition to the Commerce Department that it would relocate produc-tion outside the US if the FTZ status was denied.

rejected

barn Durr.

JACOBS Suchard USA, formerly E. J. Brach and the third largest US confectionery maker, has been denied its petition for Foreign Trade Zone status, according to US Congressional aides, writes Barnara Darr.

The company asked for the

FTZ status to buy sugar at the

low world market price instead of the domestic support price.

Jacobs Suchard USA had been

profitable until 1967 under its

Whorsk Data, the Norwegian computer maker, said its orders rose slightly to NKr592m (\$90.8m) in the first quarter of 1990 from NKr585m a year earlier in the same period of 1989, despite staff cuts aimed at stemming losses,

Matra, the French defence. telecommunications and transport group, plans to boost its 1989 net annual dividend to FFr6 a share from FFr6 following a 78 per cent surge in its 1989 net profit, AP-DJ reports.

■Gevaert, a Belgian portfolio holding company, plans to raise about BFr3bn (\$86m) in new capital in a one-for-10 share issue, AP-DJ reports. The issue, which will be proposed on Thursday at an extraordinary meeting, will more than double Gevaert's share capital to some BFr5.4bn.

■ Convex Computer, a rising star in the market for high-powered supercomputers, announced record revenues and operating profits for the first quarter, writes Louise

Hence in Sen Francisco.

The Texas-based company reported revenue of \$48.6m, an increase of 46 per cent from \$33.3m in the same quarter last

Comareg achieves FFr2bn flotation at third attempt

By George Graham in Paris

FFr2.2bm (\$388m).
The flotation of 10 per cent of the shares of Comares. which is controlled by the Havas media group through its Avenir posters and direct mar-keting subsidiary, was origi-nally planned for April 4 at a price of FF1250 a share.

The offer was 150 times over-subscribed, and Comareg tried again a week later at FFr290 a

share. Once again, the offer was swamped. A third attempt at FFr300 a share, though still. 20 times oversubscribed, was at last successful.

Comareg, whose 140 titles distribute 14m copies a week and cover two thirds of France, ranks first in free newspapers, with around a third of the market, well ahead of its closest rivals, Carillon, Spir and SSG. It has a striking profits

record over the last three years, advancing from FFr20m net profits in 1987 to FFr34m in 1988 and FFr82m in 1989. This year, it is expecting to reach FFriiom on turnover of FFr19.5bn.

wht-

The group has begun to experiment with freesheets in Spain and in Italy, and will decide on the basis of these experiments whether to invest in these two countries.

Mr Philippe Santini, manag-ing director of Havas and vice-chairman of Comareg, says, however, that he is not interested by the UK or West Germany, which offer much lower growth prospects than southern Europe.

Spir seeks joint venture abroad

SPIR COMMUNICATION, the French free newspaper publisher which was floated on the Paris second market in September, is seeking joint ven-ture and acquisition opportuni-ties outside France after nearly 20 years of strong growth in its domestic market.

Spir, founded in 1971 by Mr Claude Leoni, the chairman and major shareholder, has been holding talks with a number of publishers in the UK and

continental Europe.

The company is the third largest French free newspaper group, and also has seven local radio stations and distribution interests, but has no foreign business. Mr Leoni's ultimate aim is to achieve a 50/50 split between French and foreign

Mr Leoni, in London earlier this month, said discussions with UK companies were not yet "ripe," and Spir was concentrating on making contacts which would allow it to get its foot in the door if acquisitions were available.

were available.

He was attracted to the UK and West German markets by their high professional standards, and to Spain, Italy and Portugal by their untapped opportunities.

Spir has 40 newspaper titles in Normandy and south-east.

in Normandy and south-east France, but the term newspa-per is really a misnomer. Unlike their UK counterparts. which often include varying quantities (and quality) of local news, the French papers con-centrate exclusively on com-mercial publicity material and

small ads.

The industry has been growing at about 20 per cent a year in France, and had total sales in 1988 of FFr3.72bn (\$656.1m), or 40m copies a week of 575

The big three groups have | FFrance.

55-60 per cent of the market, but Mr Leoni sees scope for acquisitions among the smaller less well managed companies

Spir reised FFr92m in the initial public offering of 10 per cent of its shares last year cent of its shares last year the remaining shares are held by Mr Leoni or a holding company which he owns. With FTri30m cash in hand and the ability to raise total credits of KFr500m. Mr Leoni indicated he had pienty of financial firepower to grow organically or by acquisition.

UK institutions featured heavily among the buyers of

heavily among the buyers of the issue, and Mr Leoni said a further increase in capital would be no problem.

The company had net profits last year of FFr60m, up 35 per cent on 1988 and 10 per cent higher than the prospectus forecast, on turnover of

BP France activities Elf to buy

ELF AQUITAINE, the French state-controlled oil group, has agreed to purchase the explora-tion and production activities of BP France for an undis-closed sum, the companies announced yesterday, agencies

BP France had indicated ear lier this month that it had received an offer from Elf for the assets. These consist of 28 exploration permits, of which nine are in Aquitaine, southern France, and 19 in the Paris Basin, and nine produc-tion wells, one in Aquitains and eight in the Paris Basin. The acquisition will take effect on July 1, pending

approval from the appropriate French authorities, Kif said RP France personnel affected by the transaction have the option of remaining in the new Elf operations. operations.

BP France, a unit of British Petroleum, reiterated yester-

day that its decision to sell these upstream activities reflected its new strategy of concentrating on refining and pervice-station business.

Until the completion of the sale, BP France remains the country's fifth-largest oil pro-For the first half of 1990, the

company has targeted a production rate of 4,400 barrels a day, up from 4,000 barrels in

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All of these secucions having been sold, this appropriately appears as a matter of second poly.

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INTERNATIONAL COMPANIES AND FINANCE

Debt-burdened Time-Warner in \$51m loss

Sy Martin Dickson in New York

DRIVING Miss Daisy, which recently won four Hollywood Oscars, helped Time-Warner record a sharp increase in first quarter film profits, but the group's heavy interest bur-den meant an overall net loss Of \$51m.

The world's largest media and entertainment company was created through the merger last year of Time and Warner Communications, but the deal also gave the group a \$10.8bn debt burden. The first-quarter loss compared with a \$50m historic profit in the first-quarter for Time and a pro-forma loss of \$81m for the combined group, assuming it had been in existence for all of last

The figures were struck after \$275m of net interest payments and \$262m of depreciation and amortisation, much of it stemming from the merger. The loss per share was \$3.25.

However, Time-Warner said that at a pre-interest, tax and amortisation level its operating units recorded a 16 per cent increase in earnings to \$536m, against \$461m in the same period of last year. Revenues rose to \$2.74bn from \$2.55bm.

The film division saw profits rise from \$68m to \$92m, helped by Driving Miss Daisy, a low-budget film about the relation-Southern woman and her black chauffeur, which has been a surprise hit in the US. The company said the film's box office revenues had topped

However, the magazines divi-sion produced profits of \$54m, down from \$70m, hit by the the



Steven Ross: figures reflect

int Weekly magazine. Advertising revenues fell because of a softer market, mainly for cars and tobacco products, while circulation revenues were up modestly.

The records and music publishing side saw a 12 per cent rise in profits to \$149m, helped by hits from pop stars Phil Col-lins, Chris Rea, Rod Stewart

and Eric Clapton.

The cable division increased profits by 29 per cent to \$179m, while the Home Box Office domestic entertainment husiness was slightly ahead at

\$45m, against \$44m.
The books segment saw profits rise from \$7m to \$17m. The

Renown moves into the global fashion network

Ian Rodger on the Japanese apparel manufacturer which has made an agreed bid for Aquascutum

ans must by now be getting used to waking up to learn that some huge, but hitherto little known, Japanese company has snapped up a famous Western business or

The £74m (\$12im) agreed bid yesterday by Renown, Japan's largest apparel maker, for Aquascutum of the UK is a

sic of the genre. In common with many Japa-nese consumer goods companies, Renown has, until recently, been content to grow along with Japan's growth, fol-lowing the evolution of its cus-tomers' tastes from practical clothing in the 1950s and 1960s to high fashion designer goods in the 1970s and 1980s. Virtually all of the group's Y291.2bn (\$1.84bn) in sales last year were made at home.

In some ways, Renown could be described as the Marks and Spencer of Japan. It is in virtually all areas of clothing for men, women and children and seeks high standards in all aspects of the trade. Last year, women's ready-made wear accounted for a quarter of sales, men's outer-wear and women's outerwear

Renown farms out most of its production to a huge network of subcontractors.

each another fifth and under-wear and hosiery 11 per cent

although about a quarter of production is done at wholly owned factories, including invented in house, others, such units in Korea and Taiwan. Downstream, the differences with M and S multiply. Renown has no single house label, but uses dozens of

as Nino Cerutti, imported, and all promoted through media advertising. It has no wholly owned shops, distributing instead to 12,700 retailers.

occasionally in keeping in touch with its customers' tastes and the volatile market and economic conditions of the 1980s caught its managers wrong-footed more often than not. In the early 1980s, it

Renown has had trouble thought the Japanese market was maturing and explored the possibilities of developing south-east Asian markets with little noticeable success. That left it unprepared for the yen revaluation-induced slump of the mid 1980s and the subse-

spree of the past three years. While competitors were cashing in on Japanese young people's willingness to spend freely on clothing to create a personal style, Renown was wrestling with a management restructuring aimed at estab-lishing more flexible production and distribution systems to meet consumer demands for

differentiated products. Consolidated operating profits tumbled from Y9.3bn in 1984 to Y3.9bn in 1987 and to Y2.5bn last vear.

Despite this dismal performance on the operating front, Renown managers turned out to be dab hands at "zaitech," or financial engineering, that new speciality that grew explo-sively with the Tokyo stock market in the mid to late 1980s. Thanks to timely issues of convertible and warrant bonds and shrewd investment of net liquid assets, consolidated pretax profits remained relatively stable for most of the decade, going from Y12.9bn in 1984 to Y9.5bn in 1987 and Y10.7bn last

dent, Mr Yasuo Kaneda, took control, the group decided that one way to improve its for-tunes might be to create what one executive called yesterday global fashion network. Aquascutum is the first step to implementing that policy.

Paris defaults on estimated Y70bn debt

By Michiyo Nakamoto in Tokyo

THE COLLAPSE of the Tokyo stock market, which has lost more than 10 per cent in value since the beginning of the imed its first significant victim at the end of last week.

Paris, a small Osaka-based clothing and

sewing material company, has defaulted for the second time on loans amounting to an estimated total of Y70bn (\$442.5m). The company, which had been an active investor on the Tokyo stock market, was unable to repay loans it had taken out to finance its stock transactions, according to Telkoku Data Bank, a private research group in Tokyo.

The default of Paris is the most serious

case of financial failure reported in con-nection with stock trading since Nihon Land, a big stock speculator, was declared bankrupt with debts of Y156m two years ago. Nihon Land had run into financial trouble after it had tried unsuccessfully to greenmail Konica, the camera company, into buying back its shares at inflated

Paris was not a greenmailer, however, but a company that had simply tried to

augment profits from its lacklustre clothing business through "zaitek," or finan-cial arbitrage, that became popular among Japanese companies with the rapid surge in the past few years of the Japa-nese stock market. None the less, Paris has been known since the mid-1980s, when zaitek became popular, for its aggressive trading on the market.

Additionally the company, headed by Mr Nobuyoshi Tanaka, was not a particularly speculative investor. Unlike many of the speculators who jump from issue to issue in the hope of making quick profits and who are now thought to be under substantial financial strain due to the market's sharp fall, Paris invested mainly in solid blue-chip companies, such as Sony

Ever since share prices plunged on the Tokyo stock market there have been many rumours of investors defaulting on their debts to securities firms. The Nikkei average, the leading index on the Tokyo Stock Exchange has lost 23 per cent since it reached a peak of 38,915 at the end of

The Japan Securities Dealers Association recently issued a letter to member firms asking them to be sure that they collect a deposit from their investors before they conduct a trade.

Of all the companies thought to be

under severe financial strain due to the fall in share prices. Paris is so far the biggest known casualty. The company, which is capitalised at Y45m, and was also involved in airplane leasing, made most of its profits from stock transac-tions. Its operating profits in the year to August, 1989 totalled Y4.5bn on sales of

activities, Paris borrowed heavily from Japan's large city banks as well as some regional banks, according to Teikoku Data Bank. Among Japan's big four brokers, a Nikko Securities official said he had no knowledge of his firm having deal-ings with Paris. An official at Nomura Securities said that although it had had business relations with Paris in the past. its default would have no damaging effect



Strong rise at Avon despite flat revenue

By Karen Zagor in New York

AVON Products, the world's biggest manufacturer of cosmetics and tolletries, yesterday trading on the New York Stock reported a strong improvement

in first-quarter earnings, although sales were flat. In the three months ended March \$1, the New York-based company posted net income of \$15.2m on sales of \$703.8m, against \$6.2m on sales of \$704.9m a year sariler. Primary earnings per share were 11 cents in the 1990 quarter compared with a loss of 5 cents after paying preferred stock

off a series of takeover advances in the past 12

Mr James Preston, chairman and chief executive, said the company expected a good year

Although sarnings were in line with expectations, uncer-tainty about the sale of Avon's

A Tokyo group, which had agreed to buy Avon's stake for \$450m in cash and royalties, said late on Friday that they would not close the deal by

operations in the last year, using the proceeds to reduce debt. As of March 31 it had debt of \$695.9m compared with \$1.13bn a year earlier, while interest expense fell 13 per cent

The company's door-to-door selling business saw pre-tax profits rise 14 per cent in the period on sales which were vir-

tually unchanged.

The threat of another take over bld still exists. Although the company recently settled a pending proxy battle with Chartwell Associates, a partnership including the wealthy Getty and Fisher families, the settlement has not stopped Chartwell from increasing its

Avon has pared down its

The company said a small gain from the sale of its Par-fums Stern business was largely offset by takeover defence costs. Avon has fought

stake in its Japanese subsid-

McDonnell Douglas disappoints market

MCDONNELL Douglas, the US military and civil aircraft manufacturer, said its combat aircraft segment reported sub-stantially improved earnings in the first quarter. But the results disappointed the mar-ket, agencies report.

The improvement was offset by a large loss in transport air-craft and by lower earnings in missiles, space and electronic

The group's share price; dropped sharply after several Wall Street analysts lowered their ratings and earnings esti-mates on the aerospace concern following its disappoint-ing first quarter. Early yesterday the shares dropped

Net profit amounted to \$2m for the quarter, compared with a loss a year ago of \$10m, while per share earnings stood at 5 cents against a loss of 25 cents before a gain. The figure for the year-ago quarter excludes a

100

gain of \$179m, or \$4.68 per share, for an accounting

First-quarter revenues were \$3.83bn up from \$3.22bn in

Lower development costs in the advanced tactical fighter programme boosted earnings in the F-15 and F/A-18 programmes, but the gains were moderated by lower earnings in the AH-64 Apache helicopter

programme.

Those gains were countered by a loss in the transport aircraft segment, primarily from higher development costs in the MD-11 programme, McDon-nell Douglas said. It added that costs were higher in other programmes and the MD-80 programme lost money in the

McDonnell completed production of 28 MD-80's during the quarter but delivered only 25. In the year-ago quarter, 27 were produced and delivered.

IRC hit by \$2.4m net loss

By Kenneth Gooding, Mining Correspondent

INSPIRATION Resources or 88 cents a share from \$42m or 63 cents. Full year revenues American natural resources group which is 56 per cent owned by Minorco, part of Mr Harry Oppenheimer's South African empire, suffered a 1989 fourth-quarter net loss of \$2.4m or 4 cents a share compared with a net profit of \$2.6m or 4 cents a share in the same months the previous year.
For the year to December 31

totalled \$1.4bn for both 1988

and 1989. IRC's 1988 net income included a \$26.7m gain on the sale of its US copper assets to Cyprus Minerals and their \$10.3m contribution to earnings in the first six months of

1988. In 1989 IRC's income tax pro-For the year to December 31 vision jumped from \$9.9m to IRC's net income fell to \$25.2m



Shopping in Europe. Is it really this easy?

With barriers of all kinds being removed throughout Europe, the real estate market is already seeing a dramatic increase in International activity. But to what extent can retailers develop a truly pan-European presence?

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INTERNATIONAL COMPANIES AND FINANCE

Merck may cut Medicaid drug prices

MERCK, the leading US pharmaceuticals group, has offered to cut prices of prescription drugs bought under government-run medical insurance programmes.

The proposal is an attempt by Merck to defuse growing concern by federal and state governments about the escalating cost of Medicaid plans. which cover the medical needs of the poorest 23m people in

Merck and other drug com-panies have long resisted dis-counts because of a desire to maintain profit margins and the complexities of administering lower prices. Under Medicaid, drugs are sold by tens of thousands of pharmacists

around the country.

Although prescription drugs account for only 7 per cent of the \$50bn annual budget of Medicaid, a growing number of states have tried to curb costs by drawing up list of drugs doctors can prescribe under the programmes. These lists, called formularies, have often excluded newer and typically

expensive drugs.

Merck says it will offer each state's Medicaid programme the lowest prices it offers bulk huyers if the state drops the formularies. The prices would only apply to drugs for which it is the sole source.

Mr Viren Mehta, of Mehta and Isley, financial analysts of pharmaceutical companies, said: "It is a very creative and useful proposal by the industry leader to overcome the biggest problem of the drug industry today. He added, however: "I have some doubts they will make this stick without fur-

State governments might feel, for example, that they would lose more on sales of newly approved drugs than they would save on discounted

There was no immediate response from other drug companies. They might find it hard to follow Merck's lead as they have generally offered larger discounts than it has to big

The other critical consider ation for each company would be the number of new drugs it had in the pipeline, Mr Mehta

Companies could afford to discount well established drugs if they gained the right to sell new, highly profitable pharma-centicals which were excluded from the formularies or would be when they were launched. Thus a company like Pfizer might welcome the plan while

SmithKline Beecham would be at a disadvantage because of its paucity of new drugs and its existing heavy discounts of older ones.

Carrefour leaps to FFr1.18bn for year

By George Graham

CARREFOUR, the French hypermarkets group, has reported 1989 not profits of FFr1.18hn (\$208m), up 30 per cent on sales 14 per cent higher at FFr73.5hn.

Mr Denis Defforey, chair-man, said sales in 1990 should advance by about 10 per cent and profits by 10 to 15 per

Mr Michel Bon, group man-aging director who will take over from Mr Defforey shortly, said the results showed an advance in all six countries in which the group operates, despite a surge in investments to Fra.Shu.

Carrefour's gross trading margin rose by 16 per cent to FFr11.4bn, with salary costs up 12 per cent to FFr5.7bm. Pre-tax operating income climbed 35 per cent to FFr2.1bn.

The main French operations boosted net trading profit by 41 per cent to FFr662m on 41 per cent to FFr662m on sales 8 per cent higher at FFr50.3hn. In Spain, where Carrefour operates the Pryca retailing change, not trading profits rose 19 per cent to FFr377m on sales of FFr12.7hm, up 26 per cent from 1988 in local currency terms.

Carrefour made FFr267m net trading wrofits in Brazil.

net trading profits in Brazil, up 44 per cent in deflated local currency terms, with sales ahead 45 per cent in volume to FFr8bn. In Argentina the group made FFr82m profits, on sales up 26 per cent in volume to FFr826m.

The group's Philadelphia store in the US broke even before depreciation in its second year of trading. Last year Carrefour opened its first store

Farley's troubles mount as Pepperell writes off \$450m

WEST POINT-Pepperell, the hig US textile company acquired last year by Mr Wil-liam Farley, has been forced to take a \$450m write off, adding to the financial troubles of the Chiese industrialist Chicago industrialist.

The charge was for the wri-tedown of assets West Point-Pepperell has sold or is trying to sell. Proceeds from the disposals are turning out lower than expected because some of the businesses have suffered "disappointing operating results." The collapse of the junk bond market is also making it harder for buyers to finance the acquisitions.

Mr Farley, who made exist-sive use of junk bond finance to build up his industrial hold-

ings, is locked in negotiations with banks and bond holders.

West Point-Pepperell has defaulted on \$796m of bank debt and has missed interest. payments on bonds Mr Farley floated to finance his \$1.56bn takeover of the company. He has yet to round up the finance for the last 5 per cent of the

stock outstanding.

It is thought likely he will have to offer creditors a significant, if not majority, stake in West Point-Perperal to pull off a renegotiation of the company's debt and bonds. The write off deepens, the groom

write-off deepens the gloom surrounding the talks.

The charge was taken in the nine months ended December 31 1989, results for which were

released over the weekend. The company reported sales of \$962.1m and a net profit from continuing operations of \$12.4m. The write-off, net of a \$69m tax benefit, resulted, though, in a net loss of \$428.8m or \$15.24 a share.

The company offered no fig-ures for the period a year ear-lier because it has changed the date of its financial year-end to the calendar year end from late September. In the 12 months ended September 1988 it had a net profit of \$84.4m on sales of \$852.8m.

The latest results shed no light on West Point-Pepperell's operations under Mr Farley nor on his negotiations with banks and bond holders.

Asarco to lift spending despite fall

By Kenneth Gooding, Mining Correspondent

ASARCO, the US group which is changing from a metal smelting and refining organisa-tion into a fully integrated mining company, saw first-quarter earnings fall by nearly half. But the company is to increase spending from the previously announced \$260m to \$350m to boost copper output. Earnings fell from \$88.6m or

\$1.63 a share to \$35.8m and 86 cents on sales down 16 per cent from \$618.2m to \$521.2m. However, Mr Richard Osborne, chairman, said the results were in line with the group's expectations, given the

He said demand for the metals was good in the quarter and strengthened significantly in March. Supplies of the products were tight and the outlook for demand was good.

lower prices of copper, zinc and

Higher margins buoy Cummins

CUMMINS Engine, the leading US diesel engine manufacturer which has lost money in three of the past four years, yester-day reported net profits of \$8.9m in the opening period.
This compares with a \$9.8m

net loss in last year's fourth quarter and a \$19.5m profit in the first period of 1989. Earn-ings per share were 41 cents against \$1.45 fully diluted at the same time last year. Sales dropped to \$861m from \$921m.

The company's prime market for US heavy duty truck engines declined in the middle of last year and Cummins noted that first-quarter truck production was down 23 per cent on a year earlier. However, it said that higher margins on its B and C series engines, increased interest income and reduced warranty expenses had enabled it to make a first-quarter profit.

The profits outlook for the

rest of the year would depend heavily on market conditions and no immediate recovery was expected in the heavy duty trucks sector. It estimated that demand would remain level in the summer, with a gradual improvement later in the year.

The company has faced strong criticism over its performance from Industrial Equity (Pacific), Sir Ron Brierley investment vehicle which

Hafnia steps up payout after modest rise

HAFNIA, Denmark's second largest insurance-based finance group, lifted 1989 net profits to DKr1.5bn (\$234m) from DKr1.4bn and is to raise the dividend from 8 per cent to 10 per cent, writes Xueling Lin in Commhagen

Copenhagen. Mr Per Villum Hanen, administrative director for Hafnia Holding, said the positive results showed a general improvement in group operations, particularly in the insurance side. Capital gains resulting from a change in investment policy regarding securities also helped.

The group took a large step towards internationalisation of its activities last year by investing in property in Paris and acquiring Prolific, the UK unit trust, life assurance and pension fund group, and Cambio + Valorenbank in Zurich.

Goodwill of DKr1bn acquired through Hafnia's investments in other companies in 1989 was written down in full under shareholders' equity.

The only sector of the group which did not meet expectation was Hafnia Merchant Bank, the investment banking arm, which posted a profit of DKr33m against DKr138m. The drop was blamed on a delay in reshaping the bank's activities.

Abitibi-Price slips to loss in first quarter

By Bernard Simon in Toronto

ABITIBI-PRICE, one of the world's leading newsprint sup-pliers, alipped to a first-quarter loss, joining a string of other Canadian forestry companies which have been hit by weakening markets.

Abitibi suffered a C\$2.6m.

(US\$2.24m) loss, equal to five cents a share, in the three months to March 31, compared with income of C\$26.3m or 35 cents a year earlier. Sales dropped to C\$784.8m from C\$810.1m.

The loss does not include a C\$13.7m extraordinary charge stemming mainly from the write-off of a Florida-based office products business which is being liquidated. Excluding the extraordinary item, operating profit totalled C\$7.8m,

The dividend has been halved to 12.5 cents a share. Abitibl ascribed the peversal to weak newsprint prices, "poor performance" of its groundwood and coated papers businesses, and a rise in short-term interest payments from virtually zero to C\$5.2m. These factors more than off-set higher earnings from building products and a diverse group of value added products, such as distribution of indus-

trial and printing papers.

The poor performance of the forest products sector has been a feature of Canada's firstquarter corporate earnings. Several producers have announced austerity measures to deal with the deteriorating by siness climate, including dividend cuts, reduced capital spending and mothballing of production facilities.

Canadian newsprint producers are also trying to push through a 5 per cent price increase for the US and Canada, from June 1, but are meet-

ing customer resistance.

Mr Bernd Koken, Abitibi's chairman, said that even with the price increase, newsprint earnings were expected to remain "below acceptable lev-els" until additions to capacity were reduced or more machines were shut down.

Kao profit advances to Y38.7bn

By lan Rodger in Tokyo

KAO, the Japanese household products group that has been expanding rapidly overseas in the past year in the floppy disk business, has reported a 10.6 per cent rise in pre-tax profits to 738.798 (\$245m) in the year to March 21

\$379.48

1 1 N

Sales grew only 4.6 per cent to Y545.4hn, reflecting the maturing of the Japanese mar-ket for household products and intensified price competition, especially in laundry deter-

Turnover on personal care products rose 4 per cent to Y183.7bn while laundry and cleansing products gained 4.3 per cent to Y220.2bn.

Hygiene products increased 7.5 per cent to Y69.5bn and sales of chemical products advanced 4.5 per cent to Y72bn. Net income was Y19.8bn or T38.91 per share, up 29.4 per cent. Consolidated net become rose 1.6 per cent to Y17.8bn or Y34.85 per share on net sales of Y820.4bn, up 8.4 per

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EUROACTIVIDADE AG Vaduz

Invitation to the 13th ordinary General Meeting

The shareholders of Euroactividade AG, Vaduz, are hereby convened to attend the 13th ordinary General Meeting, which will be held on

Friday, May 11 1990, at 15.00 p.m.

in the Hotel Savoy, Zurich, with the following

AGENDA

- Approval of the minutes of the 12th ordinary General Meeting of shareholders held on May 10, 1989.
- Submission of the report of the Board of Directors, the balance sheet and the profit and loss statement as per December 31, 1989
- Submission of the report of the statutory auditor
- Approval of the report of the Board of Directors, the balance sheet as well as the profit and loss statement as per December 31, 1989
- Discharge to the Members of the Board of Directors in respect of the carrying out of their duties during 1989
- Determination concerning the profit as per December 31, 1989
- Resignation from the Board of Directors
- Election into the Board of Directors
- Election of the statutory auditor
- 10. Sundries

The business report containing the balance sheet, the profit and loss statement, the report of the statutory auditor as well as the proposal of the Board of Directors how to utilize the profit as per December 31, 1989, is at the disposal of the shareholders at the head office of the company as from April 30, 1990.

The shareholders who wish to attend the ordinary General Meeting or wish to be represented by another shareholder can get their entry card either at their depository bank until May 7, 1990, or directly at Fides, Elisabethenstrasse 15, 4010 Basel, against presentation of a bank certificate stating that their shares are blocked.

Vaduz, April 24, 1990

On behalf of the Board of Directors: The President: Klaus H. Moeller

INTERNATIONAL CAPITAL MARKETS

Korea fund comes at difficult time

By Deborah Hargreaves

lount a

THE LAUNCH of a new Korea fund by Barclays de Zoete Wedd yesterday comes as single country funds have entered one of their most difficult trad-

ing periods.

BZW yesterday launched the Korea Equity Trust, a \$50m fund to invest in the Korean stock market. According to Mr Anthony Stranger-Jones at BZW, it is a good time to be putting money into Seoul, tince the stock market's recent decline offers a good buying opposituative.

decline offers a good buying opportunity.

Investors will also not have to pay the sort of high premiums at which country funds have traded. As recently as last November, the Korea fund listed in New York was trading at a premium of 120 per cent to at a premium of 120 per cent to

Country funds have ridden a wave of popularity in recent years. They present an easy and cheap way for investors to and cheap way for investors to gain exposure to some of the world's fast-growing stock markets and have proved a useful way for fund managers to diversify their portfolios.

But, after bidding some of the country funds up to huge premiums on their net asset values, many investors have

EUROPEAN INVESTMENT

LOCATIONS

The Financial Times

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ENTYPY ON:

5TH JUNE 1990

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FINANCIAL TIMES

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now bailed out, leaving the share prices in the funds to

This has been most marked This has been most marked in the US, where premiums were much higher than among the UK-listed funds and where Japanese investors had bought sizeable chunks of equity. Political events in Europe last year fuelled much of the interest in accordance funds. set in country funds - particularly those offering a play on eastern Europe - and investors had been interested in the European Community in the run-up to the single market

from the end of 1992.

The fall from grace of country funds is demonstrated clearly by the trading record of funds such as the Spain and Portugal funds.

The US-based funds investing in Spain and investing

ing in Spain had been trading at premiums of over 100 per cent to their net asset value around the beginning of the year, and have now dropped to a slight discount on net asset value.

The drop in the share prices of country funds has been a reflection of the increasing introspection of the Japanese who, concerned at the volatility in their own stock market, investors' activity in the Korean stock market is still extremely limited and one of the few ways to gain exposure is through the auspices of a

There has been less justifica-tion for some of the huge premiums on funds investing in open stock markets such as

"A premium of more than 30 per cent on a market you can easily get into is crazy," says Mr Charles Lillis at Merrill Lynch. Institutional investors should be investing in those

markets directly, he says.

Nevertheless, country funds have a remarkably volatile trading history, and their proponents have often pointed out that cash should be invested in them for the long haul without the risk of heritage to receil it. the risk of having to recall it during a market downturn.

European-based funds enjoy reduced volatility partly because they have tended to attract a more sophisticated and broader-based clientele. UK investors often dislike funds as trading vehicles, as they are more used to the unit trust structure, but funds are preferred by their Far Eastern

Shake-up boosts German bank

are backtracking on their over-seas diversification.

funds has also tended to push

prices down - in recent

Takwan

1990

months, barely a week has

gone by without the announce-ment of a new fund.

However, BZW has some rea-son to be sanguine about its new Korea fund, since foreign

Korea Europe

Apr 20

Country Funds

The proliferation of country

By Katharine Campbell in Frankfurt

PARTIAL operating profits at Schröder Münchmeyer Hengst, the German private bank controlled by Lloyds Bank of the UK, climbed by more than 60 per cent last year, in sharp contrast to the 22 per cent siump in earnings that took place in 1988. place in 1988.

SMH has been restructuring after five partners bought a 5 per cent share in the business from Lloyds, a stake they intend to increase in coming years. While the turnround entailed increase in administration entailed increases in administration costs of 13 per cent during the past 12 months, the bank was able to ride with the ket and produce results which it thinks vindicate its increas-

income improved almost 50 per cent on 1988, with interest income up 14 per cent. Like several other banks, it lost money on bond trading as money on bond trading as interest rates rose sharply.

The first quarter of 1990 has seen a further rise in earnings, but Mr Neynaber was careful to stress that the steep increase in stock exchange turnover which facilitated the increase — daily volumes three

increase - daily volumes three times those of the London market — was unsustainable. SMH almost doubled the value of its assets under man-

agement to more than DM4bn last year, and hopes for further increases, targeting in particu-lar West German corporate funds. It has also made a large commitment to the new options exchange, the Deut-sche Terminborse, where it makes markets in seven blue-chip stocks. Around 70 per

blue-chip stocks. Around 70 per cent of its in-house turnover results from market-making, the bank says, adding that institutional investors have so far held back from the market. Mr Neynaber downplayed the immediate attractions of the lending business in East Germany, and hinted that the office in West Berlin would focus as much on investment focus as much on investment

Sanwa opens subsidiary in Ireland ahead of 1992

SANWA BANK, a leading Japanese bank, has opened a wholly owned subsidiary in Dublin to meet administrative needs of the unit trust market in Ireland, Renter reports.

The subsidiary, Sanwa International (Ireland), reeds," the bank said.

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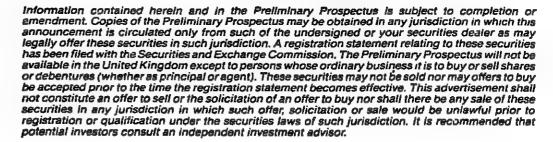
Initial Public Offering of Common Stock

Expected Offering Date: May 1990

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(FRF million)	1990	1990/1989
• France	525	+ 6.3 %
Abroad	977	+ 14.0 %
Total	1502	+ 11.3 %

sales would be 18.4 %.

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Notes due July 1997 in accordance with the terms and con-ditions of the Nobse, we hereby give notice that the next interest date will be July 24, 1990.

Annual interest rate for the period from April 24, 1990 to July 24, 1990 will be 8 13/16%-Interest payable will be: - USS 22.78 per US\$ 10,000 nominal principal amount for registered notes

notes
US\$ 222.78 per coupon for US\$
10.003 donomination bearer notes
US\$ 1.569.91 per coupon for US\$

U.S. \$75,000,000 SWEDBANK (Sparbankernas Bank) Subordinated Floating Rate

Subordinated Floating Rate

Notes due 1997

Notice is hereby given that for the
tures months interest Period from
April 24, 1990 billy 24, 1990
the Notes will carry an inverset Rate of
2"an's per annum. The interest payable
on the relevant interest payable
on the relevant interest payable
of the payable of the U.S. 529,000 and U.S. 529,000 and U.S. 510,050. The sum of
U.S. 5292.78 will be payable per U.S.
510,000 principal amount of Registered
Notes

Notes

By: The Chase Manhatian Bank, K.A. London, Agent Bank April 24, 1990

RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES ECU 100,000,000

Unconditionally guaranteed by The Kingdom of Spain Holders of Notes of the above issue are nereby notified that for the intere-penod from 24th April, 1990 to 24th July, 1990 the following will apply: 1. Rate of interest: 10%% per annum

2. Interest Amount payable on Interest Payment Date: ECU 267 per ECU 10,000 nominal or ECU 2,669 97 per ECU 100,000 nominal 3.Interest Payment Date. 24th July, 1990

Agent Bank Bank of America International Limited

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E150,000,000 Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest Period from (and including) 23rd April, 1990 to (but excluding) 23rd July, 1990. The Notes will carry a rate of interest of 15½ per cent. per annum. The relevant Interest Payment Date will be 25rd July, 1990. The Coupon amount per £5.000 will be £190.84 and per £100.000 will be £3817.64 payable against surrender of Coupon No: 1.

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Bank of Greece US \$150,000,000

Floating Rate Notes due 1994

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Agent Bank: Morgan Guaranty Trust Company of New York FIRST CITY BANCORPORATION OF TEXAS, INC. US\$100,000,000 Floating Rate Notes due January, 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period 24th April, 1990 to 24th July, 1990, has been fixed at 834, per cent per annum. Interest will therefore be payable at US\$221.00 on 24th July, 1990.

MANUFACTURERS HANOVER TRUST COMPANY Agent Benk

FT GUIDE TO WORLD CURRENCIES

COUNTRY	£ STG	US S	D-MARK	YEN 0X 1001	COUNTRY	£ STG	US \$	D-MARK	YEN CX 1900	COUNTRY	£ STG	US \$	D-MARK	OX 1000
Afghanistan (Afghani) Albania (Lek) Algeria (Dinari) Andorra (Fr Fr)	99.25 10.0625 13.08 9.3200	60 6477 6 1487 7.9926 5.6950	35.7335 3.6228 4.7092 3.3555	38.4689 3.9001 5.0697 3.6124	Gabos (CFA Fr) Gambia (Dalasi) Germany East (Ostmark) Germany West (DMark)	13.6109 2.7775	284,7540 8.3170 1.6972 1.6972	167.7767 4,9004 1 1 185.5976	180.6201 5.2755 1.0765 1.0765	Panama (Ball Papua New Goinea (K Paraguay (Guar	ma) 1.5873	21.9981 1 0.9699 1236.6269 12797_555 21.9981	12.9612 0.5891 0.5714 728.6192 77540.3060	13.9534 0.6343 0.6132 .784,3953 8117-5193
(Sp Peseta) Angola (Kwanza) Antigus (E Carr 5) Argentina (Asstrai)		106.8438 29.9180 2.6980 5041.9187	62.9522 17.9443 1.5894 2970 6930	67.7713 10.3160 1.7113 3198 1007	Ghana (CedD Gibraltar (Gib D Greece (Drachma) Greendam (Dunish Kroma Greenda (E Carr S)	270.95 10.5600	315 0.6110 165.5667 6.4527 2.6980	0.3600 97.5517 3.8019 1.5896	199 8052 0.3875 105.0193 4.0930 1.7113	Philippipes (P Pitcaira is (£ Steri (N	ng) 1.00 ZS) 2.8042	0.6110 1.7135	0.3600 1.0096	13,9534 0,3875 1,0868
Aruba (Finrini Australia (Aus 3) Austria (Schilling) Aruma (Port Escudo)	2.9272 2.1345 19.545 245.00	1.7886 1.3043 11.9431 149,7097	1.0538 0.7684 7.0369 88,2088	3198 1007 1 1145 0.8273 7.5755 54.9611	Guadaloupe (Local Fr) Guara (US S) Goatemala (Quetzal) Guinea (Fr)	9.3200 1.4365 6.4152 490.59	5.6950 3.9200 299.7800	0,5891 2,3097 176,6300	3.6124 0.6343 2.4865 190.1511	Portugal (Esc Puerto Rico (U	my) 15435.00 do) 245.00 SS) 1.6365 mai) 5.96	9431.7140 149.7097 1	5557,1557 88,2088 0,5891 2,1456	5982,5581 94,9612 0.6343 2,3100
Bahamas (Bahama \$) Bahrain (Diner) Balearic is (Sp Pessia)	1.6365 0.6172 174.85	1 0,3771 104,845	0.5891 0.2222 62.9522 19.6219	0.6343 0.2392 67.7713	Guinea-Bissau (Pesu) Guyana (Guyanese 5) Haiti (Gonde)	53.968a 8.1766a	650 33 5	382.6966 19.4376 2.9438 2.6027	411.9922 20.9255 3.1691 2.8019	Reunion is, de la (F	Fr) 9.3200 Ep) 34.42i (Fr) 128.35	5.6950 21.0326 28.4295	3,3555 12,3924 46,2106	3.6124 13.3410 49.7480
	54.50 1.2641 57.35	33,3027 2,0098 35 0443	1.1841	21.1240 1.2748 22.2286	Honduras (Lempira) Hong Kong (HK S) Hungary (Forint)	12.7485 106.9067	4,4250 7,7901 65,3264	4.5899 38.4902	2.8019 4.9412 41.4367 38.6821	St Christopher (E Car St Halean St Lucia (E Car	13) 4.4153 (£) 1.00	2.6980 0.6110 2.6980 5.6950 2.6980	1.58% 0.3600	1.7113 0.3875 1.7113 3.6124 1.7113
Belize (B S) Benin (CFA Fr) Bermuda (Bermudian S) Brotan (Ngultrum)	3.2706 466.00 1 6365 29.50	1 9985 284.7540 1 18 0252	1.1775 167.7767 0.5691 10.6210	1.2676 180 6201 0.6343 11.4341	leeland (Icelandic Krona) India (Indian Rupee) Indonesia (Ruplah) Irah (Rual) Iran (Iran) Dinar)	115 RO	60.9838 18.0262 1831,1579 70.4009 0,3113	35.9315 10.6210 1078.9162 41.6921 0.1834 0.3726	11.4341 1161.5077 :- 44.8837 0.1975	St Pierre (French St Vincent (E Car San Marino Utalian L San Tome (Do	r\$) 4.4153 fra) 2037.50 fra) 172.39	1245,0361 105 3406	1.58% 3.3555 1.58% 733.3733 62.0666	789.7286 66.8178
Bolivia (Boliviano) Botswana (Pula) Brazil (Cruzado) British Virgin is (US S)	5.0613 1.10 17.1125 1.6365	3.0927 1.8942 59.4637 1.11759	1.8222 1.1161 35.0360 0.5891 1.1053	1.9617 1.2015 37.7180 0.6343 1.1899 0.5086	irish Rep (Punt) israel (Shekel) italy (Lira)		0.3113 0.6324 2.0195 1245.0351	1.1899 733.5733	0.4011 1.2810 789.7286	Saudi Artinia (Ri Senegal (CFA Seyclelles (Ru Sierra Leone (Le Simumore	Fr: 466.00 red 10.00	3.7516 284.7540 6.1106 117.9651 1.8759	2.2104 167.7767 3.6003 69.5049 1.1085	2 3796 180 6201 3.8759 74.8255 1.1899
Branel (Brunel 5) Bulgaria (Lev) Burkine Faso (CFA Fr) Burma (Eyeo Burmal (Barundi Fr)	3.07 1.3122 44.00 10.7780	0.8018 284,7540 6.5860 179,4989	0.4724 167.7767 3.8804 105.7605 128.4464 167.7767	180 6201 4,1775 113,8565	Jamaica (Jamaican S) Japan (Yen) Jordan (Jordanian Dinar) Kenya (Kenya Shiifing)	258.00	6.8779 157.6535 0.6675 23.0308	4,0524 92,8892 0,3933 13,5697	4,3626 100 0.4234	Solomon is Somali Rep (Shiil	(S) 4.0798	2.4930 409.6975 2.6565 3.9583	1.4688 241.3933 1.5652 2.3322	74.8255 1.1899 1.5813 259.8728 1,6850 2.5107
Camerood (CFA Fr) Casada (Canadian S) Casary is (So Peseta) Cp. Verde (CV Escutio)	356.76a 466.00 1.8990 174.85 120.15	218 284.7540 I 1604 106.8438 73.424 0.8300	128.4464 167.7767 0.6837 62.9522 43.2617	138.2790 180 6201 0.7360 67.7713 46.5736	Kiribati (Australian S) Korea North (Won) Korea South (Won) Korea (Kiwali) Dinari	1.5862 1155.65	23.0308 1.3043 0.9692 706.1717 0.2933	13.5697 0.7684 0.5710 410.0754 0.1728	14.6085 0.8273 0.6148 447.9263 0.1860	Sountin Ports in N Africa (Sp Per Sri Lanks, (Ru	rta) 174.85 rta) 174.85 rea) 65.00	106.8438 106.8438 39.7189	62.9522 62.9522 23.4023 6.7413	67.7713 67.7713
Cayman is (CI 5) Cent.Afr, Rep (CFA Fr) Chad (CFA Fr) Chile (Chilean Peso)	1.3573u 466 00 466.00 486.57	284.7540 284.7540 297.3235	0.4886 167.7767 167.7767 175.1827 2.7921	0.5260 180.6201 180.6201 188.5930	Laos (New Kip) Lebanon (Lebanese 6) Lesotho (Mainti) Liberia (Liberian S)	976.17 4,3475 1.6365	719.4744 596.4986 2.6565	421 9135 351 4563 1 5652 0 5891 6 1732	456.3643 378.3604 1.6850 0.6343 0.1864	Sudan Rep Surinam (Guil Swaziland (Lileng Sweden (Kn	MD 4.3475	11.4416 1.7796 2.6565 6.1350 1.4925	1.0479 1.5652 3.6147	7.2574 1.1282 1.6850 3.8914 0.9467 13.3105
Chisa (Renminbi Yuan) Colombia (Col Peso) Comoros (CFA Fr) Congo (Brazz) (CFA Fr) Costa Rica (Colon)		4 7389 474.4760 284.7540 284.7540 86.3866 284.7540 0.7962 0.4796	279.5607 167.7767 167.7767 50.8989	3.0059 300.9612 180.6201 180.6201 54,7952 180.6201	Libya (Libyan Binar) Lichenstein (Seriss Fy) Luxembourg (Lux Fr) Macao (Pataca)	2.4125 57.35 13.1965	0.2939 1.4925 35.0443 8.0638	0.8793 29.6450 4.7512	0.9467 22.2286 5.1149	Syria Taiwan	(S) 43.15 ng) 315.90	26.3672 193.0339	0.8793 12.3641 15.5555 113.7563 15.6415	13.3105 16.7248 122.4418 16.8604
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Stora Kopparbergs Bergslags Aktiebolag

Notice of Annual General Meeting

Notice is hereby given that the Annual Ceneral Meeting of the Company will be held on Wednesday, May 9, 1990 at 3.00 p.m. in the Kristine Hall, Bergmästaregatan 32 in Falun, Sweden.

Motification of Participation

To be entitled to take part in the Meeting, shareholders must:

- be recorded in the share register no later than April 27, 1990 - notify their intention of participating in the Meeting no later than 4.30 p.m., May 4, 1990.

Notification of participation in the Meeting can be made by telephone, +46-23 80 561, +46-23 801 72, or by post to STORA, S-791 80 Falun, Sweden.

The STORA share register is maintained by the Swedish Securities Register Center (VPC) AB. Shareholders in STORA are either registered as owners or through a trustee. Only shareholders registered as owners are entitled to participate in the Meeting.

To be entitled to participate in the Meeting, shareholders whose shares are held in the name of a trustee must register the shares in their own name. To ensure that shares can be registered in the name of the owner in time, shareholders whose shares are held in the name of a trustee, bank or brokerage firm should request that the shares be registered, temporarily, in their own name prior to April 27, 1990.

Agenda

- 1. The transaction of business that shall normally come before the Meeting, in accordance with the provisions contained in the Company's Articles of Association, including the presentation of the Parent Company's annual report and the report of the auditors for 1989, together with the Croup accounts and Croup auditors' report, approval of the Parent Company's income statement and balance sheet and of the Group income statement and balance sheet, release of the members of the Board of Directors and President from liability for the year, the disposition of profit in accordance with the approved balance sheets, and the election of the Company's Board of Directors and auditors.
- 2. The Board of Directors' proposal that the share capital in the "Jacob Wallenberg Research Foundation" be raised by SEK 10 m.
- 3. Business raised by shareholders in respect of the reindeer grazing rights of Laplanders.

Dividend

The Board of Directors has proposed that May 14, 1990 be the record date. If the Meeting votes to approve the record date proposed, it is expected that dividends will be distributed on May 21, 1990 by the Swedish Securities Register Center.

Notice of Annual General Meeting

Notice is given to the shareholders of Esselte Aktiebolag that the Annual General Meeting of the Company will be held at 4.30p.m. on Thursday, May 10th, 1990 at the offices of the Company at Sundbybergsvägen 1, Solna, Sweden.

General Meeting in accordance with the Swedish Companies Act and the Articles of Association It is proposed to amend the Articles of Association so that each person authorized to vote at a shareholder's meeting shall be entitled to vote, without restriction regarding the number of votes, for the full number of shares represented by him/her and further that a firm of uthorized auditors also may be appointed auditor of the

The Board of Directors will also propose a resolution that the record date by which shareholders in the Company must be registered by VPC in a register of shareholders or a list mainned in accordance with the 3rd Chapter 12th Section of the Swedish Companies Act in order to participate in the dividend authorized by the Annual General Meeting will be Tuesday, May 15th, 1990. Should the Annual General Meeting adopt this resolution the date for dispatch of dividends by VPC to those shareholders who are registered with VPC on the record date is estimated to be livesday, May 22nd, 1990.

In order to be entitled to participate in the Annual General Meeting a shareholder must have been registered with VPC not later than Monday, April 30th, 1990. A shareholder who has had his/her shares registered in the name of a nominee must have temporarily registered those shares in his/her own name with VPC not later than Monday, April 30th,1990 in order to be entitled to vote at the Annual General Meeting.

Further, in order to take part (whether in person or by proxy) in the Annual General Meeting, a shareholder must give notice to the Company not later than 4.00p.m., Monday, May 7th, 1990, in writing to Essete AB, Box 1371, 5-171 27 Soina, Sweden, or by telephone: Stockholm 27 27 60. If by the aforementioned time a shareholder has provided the Company with a power of attorney, giving authoriy to exercise the voting rights of the shareholder at the Annual General Meeting in accordance with the 9th Chapter 2nd Section of the Swedish Companies Act, the shareholder shall be deemed to have duly given notice for participation in the Annual General Meeting.

Solna, April, 1990 **Board of Directors**

SOCIETE GENERALE USD 372,000,000 SUBORDINATED

FLOATING RATE NOTES **DUE 1998** For the period April 23, 1990 to October 23, 1990 the rate has

been fixed at 9,3% P.A. Next payment date: October 23, 1990

Coupon nr: 5 Amount: USD 47275

The Principal Paying Agent SOCIETE GENERALE ALSACIENNE DE BANQUE 15, avenue Emile Reuter

LUXENBOURG

¥4,000,000,000 Floating Rate Nikkei

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Average Notes Due 1992 Unconditionally and intevocably guaranteed by

Algemene Spaar- en Lijfrentekas/Caisse Générale d'Epargne et de Retraite

Notice is hereby given that the Rate of Interest for the Interest Period from 24th April, 1990 to 24th October, 1990 is 8.90% per annum. Interest payable on 24th October, 1990 will amount to ¥446,219, per ¥10,000,000 principal amount of the Notes.

Agent Bank
The Long-Term Credit Bank
of Japan, Limited
Tokyo

INTERNATIONAL COMPANIES

Capital Markets bids for Fay, Richwhite bank arm

By Terry Hall in Wellington

CAPITAL MARKETS Ltd., which bought a 30 per cent controlling stake in the Bank of New Zealand (BNZ) last year, is seeking to acquire the merchant banking business of Fay, Richwhite, it announced

Fay, Richwhite - best known internationally for its protracted battles on the water and in court to gain control of the America's Cup - has been controlled till now by its founders Mr Michael Fay and Mr David Richwhite. They floated Capital Markets as a finance and investment susidi-ary in 1987, but it was a lackhistre company till used as the vehicle to buy control of the

Under the proposed merger Capital Markets will pay NZ\$225m (US\$130m) for Pay. Richwhite's merchant banking, equities and futures trading operations. This will comprise a payment of NZ\$110m in cash and the issue of 115m Capital Markets shares at NZ\$1, a little under yesterday's market price of NZ\$1.05, although the shares have eased in recent weeks

from NZ\$1.55 coinciding with a sizeable cash issue to help fund the BNZ purchase and a weaker New Zealand share-

Capital markets is to be renamed Fay, Richwhite and market. renamed Fay, Richwhite and Co. If approved by shareholders the purchase will see Fay Richwhite Holdings increase its ownership of Capital Markets from 62 to 75 per cent.

Excluded from the arrangement are a number of Fay, Richwhite associated share and property companies and non

property companies and non merchant banking activities, including the substantial funding involvement for the America's Company of the Company of the Company of the Company ing involvement to the control of th

1975 by Mr Fay, a lawyer, and Mr Richwhite, an accountant, who had both worked for Securitibank, a company which crashed spectacularly soon after. Fay, Richwhite began slowly, but showed phenomenal growth in the early 1980s under the controlled financial environment set up by former Financa Minister Sir by former Finance Minister Sir Robert Muldoon.

After the financial freedoms following the election of the Labour Government in 1985 it became a significant player in the Enrokiwi market.

R has developed a strong international presence with more than half its 220 staff working overseas. Earnings sources from Australia and Britain last year exceeded

Britain last year exceeded those from New Zealand, Mr Fay said yesterday.

The company's merchant banking operations have earned an average NZ\$38m before tax over the past four past of NZ\$2m. perce tax over the pass four years; with a peak of NZ\$52m on revenue of NZ\$2.7m in 1988. Profit before tax for 1991 is budgeted at NZ\$42.8m on revenue of NZ\$90m. The prospective price earnings ratio on projected 1991 earnings is 5.25 pre-tax and 7.8 after tax.

Mr Pay said Cantical Markets. Mr Fay said Capital Markets'

Mr Fay said Capital Markers directors took independent advice on the acquisition, and an independent valuation is expected to be sent to shareholders in early June. He said directors saw long term benefits from higher dividend flows and growth in asset value.

Taiwanese cement group buys US bank

CHINA REBAR, a leading Taiwanese cement and steel producer, has acquired the Los Angeles-based Omni Bank for \$20m, writes Peter Wakanden in Taipei.

It is the first buy-out of a US financial institution by a non-financial Taiwanese company. dozen local groups planning to set up new private banks in Taiwan next year.

Mrs Wang Ching She ying, has assets of about \$45m and Rebar executive director, said saw a 15 to 20 per cent return on equity last year, according the domestic operation to act as a conduit for the increasing flow of Taiwanese capital into many of its 450 competitors in southern California and neighbouring states. She will head a state, Omni was not sadded with bad loans related to new consultative board of the state, Omni was not sadded with bad loans related to new consultative board of the state, Omni was not sadded with bad loans related to new consultative board of the state, Omni was not sadded with bad loans related to new consultative board of the state, Omni was not sadded with bad loans related to new consultative board of the state, Omni was not sadded with the sta directors to plan the bible expansion.

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Rebar reported a 72.4 per dent increase in pre-tax earn-ings for the first quarter this year.

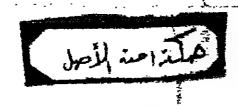
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The prices over the past week were supplied by: Bankers Trust into Landesbank Giromestrale: Bank Generale du Lanzenbourg SA, Bank Int NY, Piercou, Heldring & Pierson; Credit Salsse; Bank ef Tekyo Intig Europe NY, LTGB International; Robert Flemming & Co; Goldonar Lynch; Moryan Stanley International; Nildon Securities Conpany (Eur

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INTERNATIONAL CAPITAL MARKETS

Advisers from UK and US form transatlantic link

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HAMBRO MAGAN and the Blackstone Group, two successful independent corporate advisers in the UK and the US, have formed an alliance to work on transatlantic mergers' and acquisitions.

The arrangement, based on fee-sharing, is the first for Hambro Magan, which was formed in London two years ago by Mr George Magan, formerly of Morgan Grenfell, and members of the Hambro merchant banking family. For New York, based Blackstone formed York-based Blackstone, formed five years ago by executives from Lehman Brothers, it adds to a network which extends to Japan, Canada and France.

Mr Magan said yesterday that the concept of small financial houses was now well established, and that the creation of relationships enabled them to access the global markets without having to set up

chains of branches.

This gives us tremendous opportunities for UK clients who are looking at the US," he said. "But at the same time it enables us to retain our iden-

GLOBEX, the automated futures trading system, is expected to be approved in Japan after a year and a half of negotiations, Reuter reports.

Only technical details need to be worked out with Japan's Finance Ministry, said Mr Leo Melamed, who is overseeing the launch of Globex for the Chicago Mercaptille Exchange.

Chicago Mercantile Exchange. Globex, an after-hours elec-

tronic trading system developed by Reuters and the CME,

is the first major attempt at global computerised futures trading and should be opera-

tional by this summer CME

The MoF's approval of the system would allow Japanese futures exchanges to list contracts on Globex. CME officials

have been attempting to enlist

officials said.

tity." Mr Stephen Schwarzman, Europe.

president and chief executive of Blackstone, said there was very strong demand in the US for mergers and acquisitions advice about Europe, and the relationship with Hambro Magan would improve his firm's ability to meet this demand.

Blackstone is 20 per cent

Blackstone is 20 per cent owned by Nikko Securities, one of the big four Japanese securities hous It also has alliances with

Banque Indosnez in France and Toronto-ominion Bank in

Hambro Magan has been involved in last year's acquisitions by Ford of Jaguar and by Deutsche Bank of Morgan Blackstone's deals include

Sony's acquisition of CBS
Records and Columbia Pictures, and Bridgestone's
merger with Firestone.
Yesterday's alliance adds to
an increasing number of international relationships aware

national relationships among advisory firms. Both Hambro Magan and Blackstone said that they would be seeking further partners in continental

Japan poised to approve Globex trading system

GLOBEX, the automated either the Tokyo International futures trading system, is Financial Futures Exchange (Tiffe) or the Osaka Stock Exchange to Globex.

Mr Melamed said he would meet MoF officials in Tokyo this week to discuss progress. "Investor protection problems

and regulatory issues have already been satisfied. I think that officials are now trying to build a consensus about allowing Glober in."
Mr Melamed said the US

Treasury department had been encouraging the MoF to accept Globex as part of the US request that Japan open up its financial markets.
Globex officials could also
soon reach agreement with the
Chicago Board of Trade on a

Sumitomo Life to buy 5% of Fiat finance arm

By Halg Simonian in Milan

SUMITOMO LIFE, the leading Japanese insurance company, is to pay L13.2bn (\$10.7m) for a stake of around 5 per cent in Mito, the main financial services concern owned by Italy's

Fiat group.

The sale, which has to be formally approved at Mito's shareholders' meeting, comes as part of a wider internationalisation of ownership and alliances among financial and investment concerns owned by Fiat or its controlling Agnelli

family.

Earlier this mouth, Citicorp
paid L30hn for a 2 per cent
holding in [ii], an Agnelli family holding group, putting it alongside other foreign minor-

alongside other foreign minor-ity shareholders, such as Daiwa Kredithank, of Luxem-bourg, and the Kuwaiti gov-ernment pension fund. According to Fist, Sumitomo Life will use Mito, which is planning to change its name to Prime, to co-ordinate its own investment activities in Italy. auttomo Life and Mito kave a long-standing co-operation, including exchanges of person-nel and know-how, Flat said. The announcement of the

deal coincides with plans by Mito to bring in further out-side institutional investors at some of its financial services anbabiliaries.

The group has a joint ven-ture in fund management with Merrill Lynch dating from 1988, and last year it bought a 20 per cent stake in Ges Invest, the investment com-pany controlled by Portugal's Espirito Santo group.

As a result, Augusta Assi-curazioni, a subsidiary of the

Toro insurance group, which is also linked to Flat and the Aguellis, will buy a L16.25bn stake in Prime Consult as part of a planned capital Italian total bank lending

increased by about 17.3 per cent year-on-year in March compared with 18.2 per cent in February, according to the Bank of Italy. Lire bank lending growth was running at an estimated 17.9 per cent in March against

18.6 per cent a month ear-

Fel The Wed Year

German yields leap on currency merger offer

By Deborah Hargreaves in London and Janet Bush in New York

THE GERMAN government union, IG Metall bond market was rocked yes-terday by Bonn's offer of a one-to-one exchange rate for East German wages and savings up to a limit of 4,000 East German Marks in the run-up to currency union in

July.
The Bundesbank had previously warned of the inflationary implications of such a swap and had advocated a two-for-one exchange.
The news shook the bund

market's recent nervousness and pushed cash bunds down by 60 piennigs. The benchmark 7% per cent 2000 bund was by 60 piennigs. The henchmark
7% per cent 2000 bund was
fixed at \$3.15 yesterday, offering a yield of 8.81 per cent after
Friday's level of 93.75 with a
yield of 8.71 per cent.
The two Germanys will meet
to decide the details of monetary union next week. The

GOVERNMENT BONDS

market continues to be concerned about inflation and has its eye on the wage negotia-

The futures contract, which is traded in London, tumbled to a key support point yester-day at a low of 81.73 when traders began to feel the market was oversold and some buying started to trickle back into the market. The futures contract

then edged back upwards in later trading to 82.45 near the close, just slightly down from Friday's level of 82.51. Futures trading was helped in late trading by the recovery of the US Treasury market.

■ UK GILTS caught some of the pessimism of the German bond market yesterday and struggled with some less than optimistic economic figures of its own. The release of the Bank of England's M4 figure for lending did not impress the glits market, as it showed little let-up in lending rates. With the market's current focus on inflation, this was deemed to

bode ill for the economy.

The market drooped on the release of the figures and on the poor performance in Ger-many, but once they had digested the figures, gilts trad-ers decided they were not so

BENCHMARK GOVERNMENT BONDS Price Change Yield 91-19 -01/32 13.52 12.38 13.57 57-25 -07/33 12.82 12.56 12.63 79-22 -05/32 11.70 11.12 11.52 8.500 D2/UB 8.500 D2/20 96-29 -7/32 8.88 8.63 8.52 95-06 -06/32 8.96 8.59 1 -4 No 119 4.600 No 2 5.700 7.750 02/00 93.2500 -0.400 6.79 AES AM FRANCE BTAN 9.000 02/95 95.7334 40.285 10.14 10.02 10.34 OAT 8.500 03/00 92.3200 -0.440 9.73 9.59 1.73 9.750 05/00 85.9000 + 0.450 11.74 11.43 10.80 CANADA " NETHERLANDS 7.750 01/00 VE.1400 -0.240 8.98 8.93 8.78

12.000 7/99 91.1639 -0.727 13.76 13.35 13.44

figures.

Technical DetailATLAS Price Sources

tomorrow's release of UK trade

■ US Treasury bonds drifted

lower yesterday amid continued nervousness after last week's plunge in prices on con-

cerns that inflationary pres-sures will persuade the US Federal Reserve to tighten

monetary policy.
In late trading, short-dated

bad after all. This led to the in the market in the run-up to long gilt futures market recovering to a level of around 79.09 from its low yesterday of 78.22.

However, the showing in the longer end of the cash market was not as favourable. The benchmark 11% per cent 2003/ 07 gilt fell 5 ticks from 96% to 96& with a yield of 12.3 per

Traders expect little activity

lower and the Treasury's benchmark long bond was quoted 12 lower for a yield of 8.95 per cent.

maturities were around #

There was little fresh economic news yesterday and virtually no important economic data are due until Friday when the preliminary estimate of first-quarter gross national product will be released and is expected to show growth of 2.2 per cent or above, compared with a gain of 1.1 per cent in the fourth quarter of 1939.

The market, however, remained on the defensive yes-terday in the wake of last week's surge in yields to their highest levels for almost a

The mood of the market continued to be dominated by concerns about a possible tightening in monetary policy and the level of demand at the early May quarterly refunding. Mr Manuel Johnson, Fed vice chairman, said yesterday that he saw signs that economic activity was beginning to pick up and that he was disappointed with last week's report of a 0.5 per cent rise in

Traders surprised by favourable terms of Spain issue

THE EUROBOND market enjoyed rare profitability yes-terday, with two issues performing strongly amid wide-spread demand. The Kingdom of Spain's Reu500m issue took the market

by surprise when Banco Bilbao Vizcaya and Banesto, the joint lead managers, launched the bonds with a 10% per cent coupon at 180.20, instead of the previously indicated 100.90.

A Banesto official said the price modification had been influenced by the weak close last Friday of the US Treasury market and yesterday morning's nervous openings on the bund futures and French gov-ernment bond markets. The

INTERNATIONAL BONDS

official added that, in the event, markets showed unexpected resilience.
The price cut made the terms, which had already been

NEW INTERNATIONAL BOND ISSUES Sofrower US DOLLARS Daiwa Overseas fin. 4 Japan Finance Corp. 4 Morgan stanley Int. Bank of Tokyo Cap.Mics. PRENCH FRANCS 13/3 Sanque Paribas(Paris) 100.30 100,5 101,125 15bp Goldman Sachs/Fuji Int. 11g/fg New Japan Secs. (b) 11.5

dged as attractive last week, irresistible to syndicate manag ers who found themselves able to sell bonds for % point clear profit. At one stage, the paper was trading a full point inside

By the close of trading in Madrid, the lead managers were quoting the bonds at less 1.10 bid, compared with co-managers' fees of 1% per cent. Most of the early interest came predictably from internastrong performance attracted some inquiries from Spanish institutions.

Turnover was described as heavy, as many Spanish banks sold their paper into the professional market The day's other success was

a \$150m 10-year issue for Japan Finance Corporation for Municipal Enterprises (JFM), launched by Bank of Tokyo Capital Markets (BOTCM). The paper carried a 9% per cent coupon and was priced at 101%

per cent to yield 68 basis points over the equivalent Treasury. Dealers said the bonds traded comfortably inside fees from the moment they were issued. After opening at less 1% bid, the paper reached a high of less 1.60 bid, before settling around less 1.63 bid to yield 62 basis points over Treasurate.

suries. The lead manager said the issue, the first to carry the guarantee of the Japanese Gov-

ernment in this fiscal year, had

met wide interest. With the Treasury market in retreat last week, BOTCM considered postponing the deal, but decided to bring the deal yesterday morning and raise the coupon as a safeguard against further

Like the Spanish issue, it benefited from an unexpect-edly strong background. The issue proceeds were swapped into floating-rate yen to achieve a sub-London inter-bank offered funding rate. Swap traders said the likely rate achieved would have been around 15 basis points below dollar Libor before the yen leg of the swap.

Funding targets for Japanese government entities have long been much more aggressive and the reduced rate is a sign of the difficult conditions in the swap market.

In France, Banque Paribas brought a FFr500m three-year issue for Interfinance Credit National to a steady reception. The paper was trading around fees at less 1.35 bid.

pushed the cash index lower.

A programme trade, executed mid-morning by a US investment house, pushed the premium back

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

Charles the Section of the Section

FT-ACTUARIES SHARE INDICES

way to combine its planned Aurora system with Globex.

The Pinancial Times Ltd 1950: Compiled by the Financial Times Ltd in confinction with the institute of Actuaries and the Faculty of Actuaries

		EQUITY GROUPS		Mons	lay Ap	rii 23	1990	Apr 20	## 19	Apr 1B	Ago (approx)	
	FI;	& SUB-SECTIONS gures in parentheses show number of stocks per section	index No.	Day's Change	Est. Earnings Yield? (Max.)	Gross Dir. Yield% (Act. at U25%)	Est. P/E Retin (Met)	rd adj. 1990 to date	Index No.	ladex Ng.	Index No.	ladex life.
	1	CAPITAL 80005 (200)	831.38	-0.9	14.15	5.43	0.50	10.96	139.12	837.71	BAA, 98	925.16
	2	Building Materials (27)	1004.17	-1.5	15.89	5.02	-7.63	5.50	1019.70	1019.23		1153.70
	3	Contracting, Construction (37)	1337.09	-0.9	18.73		6.97	16.02				1666.18
	- 2	Electricals (10)	236L89	-0.6	12.42 10.34	5.67	9.96 12.54	39.14 17.31	2376.39 1762.33	2372.66	1769.93	2725.50 2091.51
	2	Electronics (29)	424 93	-0.4	14.44	532	8.29	7.69	438.37	1760.67 435.62	440.25	0.00
	9	Engineering-Aerospace to A		-0.9	12.36	5.45	9.76	7.42	461.73	460.63	463.92	6.00
	á	Metals and Metal Forming (6)	ALE 01	-0.6	25.04	6.63	4.50	0.53	472.53	475.36	481 16	533.41
	9	Motors (16)	341 40	-0.9	16.24	6.59	7.19	8.43	344.62	344.15	35.45	305.44
	10	Other Industrial Materials (24)	1537.69	-0.7	12.04	5.10	9.61	28.02	1549.05	1513.04	1457.99	1550.01
	31	CONCUMED CROUP (177)	1178 11	-1.2	9.98	4.16	12.37	9.21	1192.49			1179.11
	22	CONSUMER GROUP (177)	1390.35	-11	10.43	3.96	11.81	12 53	1405.25	1399.55		1286.41
	25	Fond Manufacturing (20)	1030.29	-1.4	10.79	4.56	11.51	14.80	1044.91	1044.58	1052.99	1016,64
	26	Food Retailing (16)	2215.04	-1.0	9.59	3.55	13.46	7.94	2235 72	2220.38	2241.68	2131.35
À	27	Health and Hetisehold (1.3)	Z449.h1	-1.4	6.79	2.83	16.56	17.07	2435.06	2473.15	2511.21	227283
	29	i elsure (31)	11796.88	-1.8	10.95	4.58	11.26	9.24	1322.24	1323.72	1538.%	1573.96
	31	Packaging & Paper (13)	555.70	-0.4	13.11	5.85	9.60	10.33	558.la	557.93	565.65	543.48
	32	Publishing & Printing (16)	3146.09	0.6	10.M	5.70	11.82	37,24	3165.49		3205.96	3466.81
	34	Stores (35)	712.71	-1.0	12.30	5.15	10.49	1.89	719.77	724.56	731.20	762.68
	35	Textiles (12)	464.26	-0.9	14.43	7.67	8.72	0.59	468.41	468.52	475.89	521.85
	40	OTHER GROUPS (185)	1043.84	-1.0	11.41	5.23 2.53	10.46	8.58 12.33	1105.09	1105.29	1520.26	1050.41
	41	Agencies (17)	1144.00	-0.6	5.83 12.24	5,66	21.10 9.54	23.59	1595 44 1171 35		1180.52	
	42	Chemicals (23)	TT04.00	-1.0	10.52	6.37	11.26	8.69	1551 15	1549.81	1574.79	1515.03
	43	Transport (13)	2333.63	-0.1	11.30	4.64	11.24	25.71	27.55.81	2153.77	2166 08	2360.26
	**	Telephone Networks(2)	1057 #	-17	12.01	4.85	10.83	0.00		1068.46		1085.33
	47	Water(10)	1073.70	-0.8	18,60	7.23	5.95	0.00	1688.39		1852.17	0.00
	48	Miscellaneous (26)	1760.36	-0.6	10.72	4.87	20,45	18.48	1770.53		1764.33	1435.93
	49	IVI COCCI POLICEDES	1078.80	-1.1	11_47	4.82	10.60	9.88	1090.52		1099.52	
			2211.49	-0.8	12.25	5.45	10.78	35.53	2229.07	2225.89	2246.36	2005.01
•		500 SHARE INDEX (500)	1173.16	-1:0	37.28	4.91	10.63	11,91	1185.42	1184.02	1195.11	1173.13
	61	FINANCIAL GROUP (110)	750.20		_	5.98	_	17.46	773.63	776.30	782.81	724 06
	62	Pank (0)	793.76	-1.7 -3.2	20,68	6.73	6.33	24.14	819.87	820 73	632.75	708.15
	65	Banks (9) Insurance (Life) (7)	1268.28	-	.=	5.79	_	34,46	1258.65	1268.75	1267.70	1038.07
	اکم	Incurance (Composite) (7)	135,44	-0.7	-	6.51	- 1	19.43	639.60	639.59	642.95	578.32
	6.7	losurance (Brokers) (7)	1055.671	-0.3	8.13	6.17	16.23	26.30	1058 63	1049 00	1045 89	932.45
	اعد	Merchant Banks (7)	437.23	1.7	- 1	4.36		4.85	444.76	444.76	全器. 如	332.14
	AO!	Property (48)	1095.431	-14	8.46	4.06	14.97		1110.47		1139.72	1291.42
	70	Other Financial (25)	306.25	-0.6	14.34	7.27	9.22	4.09	308.10	308.27	310.38	367.43
•	71	Investment Trusts (67)	1153.48	-0.6		3.28		R.95	1161.02		1144.79	
	91	Overseas Traders (5)	1304,54	-0.8	10.13	7.00	11.91	42.87			124.97	
1	99	ALL-SHARE INDEX (682)	1074.16	-11		5.03		25.04	1086.31	1085.20	1095.00	
•			, ladex	Day's	Day's	Day's	AF	Apr	Apr	Age	Apr 12	Year
_	_		No.	Change	High (a)	Law (b)	20	19	18	17		301
	}	FT-SE 100 SHARE INDEX	2059.2	-27.91	2051	2159.1	2187.1	2184.71	2200.91	22145	2221	والكوالة

	FIXED INTEREST							AVERAGE GROSS REDEMPTION YIELDS	Mon Apr 23	Fri Apr 20	Year ago (approx.)
	PRICE LABLES	Mon Apr 23	Day's change %	Fri Apr 20	xd adj. today	nd adj. 1990 to date	1 2 2		11.98 11.65 11.55	11.% 11.53 11.47	9.87 9.31
2 3 4	British Government Up to 5 years 5-15 years Over 15 years Irredeemables, All stocks	112:53 114:62 117:93	-0.22 -0.29 -0.61	112.57 114.68 118.27 137.02 116.17	_	4.19 4.96 4.16 1.51 4.61	8	Medium S years. Coupars 15 years. 25 years. Nigh S years. Coupars 15 years. 25 years. Livredcemables 15 years.	13.21 12.13 11.69 13.33 12.42 11.95 11.56	13.16 12.08 11.64 13.27 12.39 11.92 11.48	10.97 9.76 9.30 10.98 9.98 9.48
6	Intex-Linked Up to 5 years Over 5 years	141.30 132.05 132.63	-0.16	141.29 132.26 132.83	1 1 1	1.49 1.38 1.38	12 13 14	Index-Linkel Inflation rate 5% Up to 5yrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Up to 5 yrs. Inflation rate 10% Over 5 yrs.	4,82 4,23 3,78 4,04	4.01 4.21 3.77 4.03	3.87 3.66 2.90 3.48
9	Debestures & Losos	95.57	-0.06	95.63	· <u></u>	3.12	_	Debs & 5 years Loans 15 years 25 years	16.21 14.02 13.39	16.15 13.95 13.39	
	Preference		+0.24 5: 10 an	75.03	11 am 21	76.4; Noo	a 21	Preference	12.30 pm 2164.3	12.33 4 pm 216	10.24 0.% 4.10

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TRADITIONAL OPTIONS					
First Dealings Last Dealings Last Declarations For settlement rate Indications as	April 17 May 4 July 19 July 30 e and of	Calls in BHH, Control Secs Colorell, Tusker Res., Ic Frozen Foods and Mon			

LONDON TRADED OPTIONS

market of 7,000 lots of the same

Options dealers said that, as

FT-SE series, said to be Warburg.

been hedged in the futures mar-ket, their impact on prices had been minimal. Nevertheless, the entrance of large buyers of FT-SE

calls may send a positive signal

also lifted turnover.

THE DECLINE in the UK equity market prompted brisk business in traded options, as investors purchased large quantities of FT-SE 100 index calls, hedging

narket recovery. A total of 28,494 FT-SE tots changed hands yesterday, the bulk of which were calls, contrast-ing with 8,717 traded on Friday. The May 2,200 call series was the busiest, with 5,868 contracts hav-

ing changed hands.
Trading in FT-SE options was given a late boost when Hoare Govett purchased 5,000 May 2,200 calls at 39p and 40p, The trade was not hedged in the futures market. A further buyer in the

90 100 110

340 390 420

6 25 23 3 14 19 2 15 23 19 25 30

240 15 21 30 1 5 65 260 15 9 16 8 14 15

from the derivative markets.

In the futures market, sanitment remained negative as equities continued to silde. Friday's closing premium of the June FT-SE

contract over the cash index of 22 points was quickly whittled away. By the time it reached 12 points, arbitrageurs bought the futures market and sold equities, which CALLS PUTS

By the close, the premium had widened to 22 points, helped by futures buying linked to pur-Among the slock options, Asda was the busiest as a 500-iot put spread was executed. Asda equi-ties continued to weaken after Barclays de Zoele Wedd down-graded its 1991 foreçast. Asda traded a tolal of 1,922 contracts. The July 90 puts were active, trading 900 lots.

ker	Jal	et.	Ame	34	Q et	Option		Apr	Jul	Bel	Apr	Jail	Det	Option		Jun	Sep	Dec	Jes	5ap	D
13		47 28	2	17 42	23 47	Unit. Algoritis (*324.)	300 330	16 2			17			Ametrad (°72)	70 80	3	1112	14 91 ₂	10	11/2	
_ کم	5 10	13	72	82 75	83 9½	Union (*625)	600 650		534 224	76 43		314 314		Barclare (*519.)	500 550			39	7		
1		8 45	23	23	16 23	Uhramar (*336 i	330 360	8	30 15				16 30	Blue Citible (*214)	200 220	16	25	30 19	51 18	_	1
24 5	25 11	32 19	1	3	5	- Captions			Ame				Nor	British Gas (*203)	200 220	11	14	20	5	81 ₂ 21	1
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CALLS

BRITISH Coal Pension Funds have strongly denied allegations that they might have been acting on inside information in launching their £1.03bn bid for Globe Investment Trust last Friday.

Mr Malcolm Le May, a director of Barclays de Zoete Wedd, the funds' financial adviser, said yesterday: "The sugges-tion that the acquisition of Globe shares by the funds was in any way improper is without foundation. The funds took great care to ensure that both the letter and the spirit of the insider dealing rules were fully complied with.

The focus of the dispute centres on a meeting held last Thursday between Mr David Hardy, Globe's chairman, and Mr Paul Whitney, the chief executive of CIN Management, which manages the British Coal Pension Funds.

Mr Hardy said that he asked

By Martin Dickson in New York

PTR, the British congomerate making a hostile \$1.64bn bid for Norton, the US abrasives

manufacturer, said yesterday that any federal Government

review of its offer on grounds

of national security would not

The entire Congressional del-

egation from Norton's home state of Massachusetts is

urging President Bush to order a Cabinet-level review of the

bid on national security

be a "deal-stopper".

The Association of Investment Trust Companies is to ask the Office of Fair Trading to refer the bid for Globe Investment Trust to the Monopolies and Mergers Commission as part of a wide ranging campaign it is launching against bids from the pension find sector, writes Terry Dodsworth.

pension fund sector, writes Terry Dodsworth.

According to the ATTC, the pension funds are in a particularly privileged position in making hostile takeover offers because of their tax-exempt status, their protection from takeover themselves, and their lack of public accountability.

"Pension fund socialism takes ownership away from the real people, and defies every democratic principle," said Philip Chap-

pell, an adviser to the AITC.

The AITC made a similar attempt to turn the acquisition of the TRIG investment trust by the coal board pension funds 18 months ago into a public issue. But the OFT decided at that time that there was not a case to enswer.

for the meeting to update a "major institutional share-holder" shortly after finalising the company's preliminary fig ures for the year to March 1990. The funds represented Globe's largest shareholder with a stake of 28.8 per cent. Whether any price sensitive information was disclosed at

under contract to the Defense

Department. A letter circulated

by the delegation has been

signed by more than 100 other

However, BTR said yester-day that if it won the bid, and if

security issues were involved.

the company would divest the Norton unit concerned. It pointed out that certain BTR

units in the US already had

any federal review found that

that meeting between the two men is a matter of dispute. But British Coal Pension Funds are damant that no such informa-

tion was exchanged.
The funds claim that Barclays de Zoete Wedd, their financial advisers, were talking to Standard Life, the life assurance company, about the possi-

antennae and tow cables for

sonar devices, and Stewart-Warner, making landing con-

trol devices for carrier-borne

New York Stock Exchange to \$76%, up \$1%, around lunch-time yesterday as the market responded to Friday night's

announcement from the com-

pany that a third party was interested in launching a bid at a price higher than BTR's \$75m

The potential white knight

Shares in Norton rose on the

ble purchase of its 5 per cent holding in Globe over the course of several weeks and that the meeting with Mr Hardy had no impact on their

decision to conclude a deal. The acquisition of Standard Life's shareholding, which was agreed in the early hours of Friday morning, lifted the funds' shareholding in Globe to above 30 per cent triggering a full takeover bid.

A spokesman for Globe said yesterday: "The Stock Exchange is looking into the matter (the meeting between Mr Hardy and Mr Whitney) and it would therefore be inappropriate to comment."

On the funds' side, Mr Le May, of BZW, said: "We are today contacting the Takeover Panel, the Stock Exchange and the Department of Trade and Industry with an invitation to Industry with an invitation to explain the sequence of events

BTR shrugs off Norton political moves ment came just days before Norton's annual general meet-

ing, due on Thursday, where BTR will seek to have three directors elected to the 11-person board. The British company had appeared to be in a strong position, as more than 60 per cent of the shares had been tendered to its offer. However, the possible emergence of a white knight might make shareholders think

Defense Department security clearances, including Roches-ter Corp, making submarine grounds, arguing that Norton produces strategic materials BOARD MEETINGS

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year			
Allied Lon Propint	1.075	July 2	1.075	-	3.3			
CCS Group \$fin	0.35	Aug 1	nii	0.55	pii			
Farnell Electfin	2.7	,	2.4	4.8	4.2			
Hammerson Propfin	16	June 19	14	19.5	17			
Hartons	0.1	-	1.09	0.2	1.7			
Huntingfin	5.5	July 3	4.5	81	6.7			
Huntleigh Tech 5fin	1.25	July 2	1	2	1			
Jones Groupfin	84		7	11	10			
Kingston Oiifin	0.6875	July 2	0.6057	1.8619	1			
Lyles (9)int	1.5	June 4	1.5	-	3.76			
MY Holdingsint		JUne 8	0.55	_	0.55			
Power Corpafin		June 16	3.4	5.41	5.1			
Ratnersfin		July 5	5.85	9.5	7.5			
Travis Perkinsfin			5	8	6 k			

Dividends shown pence per share net except where otherwise states "Equivalent after allowing for scrip issue. *On capital increased by rights and/or acquisition issues. *§USM stock. \$§Unquoted stock. *Third market. *For nine months. *@irish currency throughout. ** For 8 months.

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1989 Final Dividend

For the purpose of calculating the number of new shares to be allotted to

shareholders who have elected to receive the 1989 Final Dividend of

HK\$0.28 per share in scrip, the average of the last dealt price in the

existing shares on The Stock Exchange of Hong Kong Limited on each of

the five trading days following the closure of the Register of Shareholders on 17 April 1990 was HK\$6.20. The number of new shares

Number of shares held $\times \frac{HK\$0.28}{}$

Shares representing fractional entitlements will be sold and the net

which such shareholders will receive will be calculated as follows:

proceeds retained for the benefit of the Bank.

By Order of the Board

R G Barber

Secretary

European expansion for Alan Paul with £8.5m buv

By Jane Puller

ALAN PAUL, the USM-quoted hairdressing and beauty prod-ucts group, has more than dou-bled its number of salons and launched itself into continental Europe with the acquisition of Essanelle Holdings for 28.45m.

The private company has 253 hair and beauty salons, including 130 in West Germany, 90 in the UK — where Alan Paul has 102 hairdressers - and 30 in sanelle's pre-tax profit for

the 12 months to October 31 the 12 months to October 31 was £1.8m, compared with Alan Paul's estimated profit of £1.2m (£740,000) for the year to March 31. The Alan Paul business includes The Body & Face Piace, which has 69 outlets.

To pay for Essanelle, Alan Paul is issuing more than 6m shares to the vendors, who will retain nearly 40 per cent of

them. The remaining 3.8m will be placed at 130p, which com-pares with yesterday's closing price of 135p, 10p down on the

A further 3.7m shares will be issued at the placing price to raise \$4.8m cash for debt raduction - borrowings stand at about \$1.5m - and further acquisitions. An open offer is being made to existing share-holders on a five-for-six basis. Mr Harley Muse, Alan Paul director of salons, said the acquisition would take the group into the north-east of

England and into Scotland, as well as overseas.

As Alan Paul franchised about 86 per cant of its existing salons, it would alm to extend this arrangement to the Essa. this arrangement to the Essa-nelle outlets, of which only two were franchise

Polymark advances 45%

Improvements in the laundry and Prench divisions offset an increased loss from the technomcreased loss from the techno-graphics side to give Polymark. International a 45 per cent. advance in 1989 pre-tax profits from \$1.59m to \$2.01m. Mr Len Weaver, the chair-man, said the group had made a good start to 1990 and the trading performance of the

trading performance of the continuing operations so far this year was up to expecta-tions. He said however, that these businesses had produced disappointing profits in the second half of 1989 mainly due to operating difficulties. Cost reduction programmes

and organisational changes had been implemented which he considered would have a positive impact on profit per-formance.

Turnover in 1989 grew 36 per cent to £46.12m (£33.87m). The bulk of profits came from the French division with £1.6m (£1.07m), while laundry contributed £653,000 (£335,000). Technographics loss increased from £23,000 to £296,000. Net interest charges took £785,000 (£445,000) and tax £843,000 (£708,000). Earnings per share were 12p (2.41p) basic and 4.49p (3p) fully diluted. No ordinary dividends have been paid since 1981.

appointed at

By Clare Pearson

Bestwood

ME HUGH PEYERS, a directo of Bestwood, said last night that the housebuilding and civil engineering group had gone into receivership. He said an announcement would be made shortly that

receivers from Price Waterhouse had been appointed. This came after Bestwood asked for dealings in its shares to be suspended at 4½p, pending the outcome of meetings

with its bankers.

The company's worsening

The company's worsening financial position has come against a hackground of the downturn in the UK housing market and it forms the latest chapter in what has been one of the Stock Market's most turbulent corporate stories.

Bestwood's results for the six months to end-June 1989, the most recent published, showed pre-tax profits almost halving from £1.28m to £687,000. At that date the group had net assets of £4.5m, but core borrowings of £10m.

The announcement of this financial deterioration came after a summer during which after a summer during which Mr Tony Cole, former chair-

man, had mounted an attempt to depose his then-successor, Mr Anthony Holmes. In the words of Mr Jim Furlong, cur-rent chairman, Bestwood had already been "close to collapse" during the period of Mr Cole's control. Since the end of the half-

Since the end of the half-year, the subsidiary British Drilling and Freezing has been sold to its management for an initial £4m in cash.

In June, the Department of Trade and Industry appointed inspectors to look at the com-pany's affairs,

Mr Cole still holds a mar-9

mer cent stake in the company

per cent stake in the company. Mr Furlong, who took over as chairman after Mr Cole's auccessor, Mr Anthony Holmes, resigned last autumn, holds

resigned last autumn, holds around 7 per cent and there is a further declarable Furlong family holding.

The report and secounts for the year to end-December 1988, published last July, showed that it had incurred an extraordinary observed.

extraordinary charge of 26.43m pre-tax, 22.29m more than previously reported. Other housebuilders to have gone into receivership include Decian Kelly, one of the UK's largest privately-owned house-builders which failed this year and Kentish Properties, the and Kentish Properties, the quoted east Loudon developer which collepsed last summer.

Fall in trading offsets increase in rents at static Hammerson

By Paul Cheeseright, Property Correspondent

FLAT RESULTS from Hammerson, the most diversi-fied of the major British property investment and deve ment groups, underlined the weakness of the UK commer-

cial property market. But the weakness of the mar-ket works two ways. It causes smaller companies financial problems but it provides strongly financed groups with the chance of expansion by acquisition. "We ought to be able to find some good buys," Mr. John Parry, Hammerson's managing director, said yester-

Hammerson, though, is less interested in companies than in individual properties or portfolios of properties. "We want to buy future opportunities, not yesterday's failed trader," Mr Parry said, referring to property companies which develop buildings and then seek to sell them on.

To this end, Hammerson is one of a number of companies

scrutinising the portfolio of Shearwater, the retail develop-ment subsidiary of Rosehaugh, a company seeking the means to increase the cabillow.

While Rosehaugh is making sales and braved unfriendly

stock market conditions with a £125m rights issue to raise cash and reduce indebtedness, Hammerson's debt/equity ratio remained stable at 38 per cent during the last financial year, although it is likely to creep upwards to more than 40 per upwards to more than 40 per cent during 1990. All Hammer-son's sterling borrowings are fixed, with the average interest rate less than 10 per cent.

This contrast between the two companies — the one with cash, the other short of it — points up a characteristic of

points up a characteristic of the large property investment groups during a property industry recession. It is that their asset values may grow slowly or even decline, but that their income stream will

remain strong.
This is evident from the Hammerson figures. Its net asset value, including development surpluses, rose a modest 6 per cent in 1989 to £11.18 per share, but its operating profit, based on rental income from the properties it owns, rose 14 per cent to £50.7m. The stock market is more

interested in the net asset value than the income, so it was hardly surprising that even in a weak sector it gave the thumbs down to the figures by alicing 28p from the Ham-merson 'A' shares to 720p. During 1988 Hammerson's asset value rose more than 50



Sydney Mason, chairman of Hammerson

r cent, but over the last year high interest rates, a slowing of the economy and, in some areas, an emerging surplus of property have taken their toll of the property market. Slight declines in value are now evi-dent across both the office and retail sectors, where Hammeram is aircuns

This suggests that Hammer-son's asset growth in the UK this year will be slim. But its position could be strengthened by rises in property values in France, West Germany and Spain. There will not be much help from the US or Australia, but there could be some growth in Canada. Here, of course is the argument in favour of international diversi-

fication.

About half of the Hammeron portfolio is outside the UK. its recent purchases have been in continental Europe, notably West Germany and Spain. Of the £374m it is spending on development, £306m is being spent outside the UK.

spent outside the UK.

The range of international assets should ensure at least a small increase in the asset value this year, but the overall figure seems unlikely to rise much above £12.

The estimate has to be vague Currency fluctuations could affect it either way: they accounted for 40p of the 1989 asset value figure. Short of a catastrophic decline in values, 1991 would be better as large office developments on Fifth Avenue, New York in the City of London and Brisbane — the strongest of the Australian city markets — are completed. markets - are completed.

But there can be more confidence about the stream of gross rental income. This rose in 1989 to 2156.2m (2143.8m), and there will be a similar rise this year.

Share price relative to the FT-A Alt-Share Index 150 140 130

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 $\rho = (\rho_1 + \lambda_1)^2 \lambda_2^{-1/2}$

REDRAY

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116

Hammerson Property

Fifteen months ago, when Hammerson was fighting off a takeover bid from Rodamco, the Dutch investment fund, it promised doubled rental income in five years. Mr Parry reiterated that promise yester-

day.

The point here is that, without taking into account any new properties, the flow of five-yearly rent reviews ensures a rising income. Especially between 1985 and 1988, office and retail rents throughout the UK rose sharply. This escalation will be reflected in

the rent reviews now running through the system.

Although capital values of British property have started to stip, there are still cases of rents continuing to rise. Property investment groups like Hammerson, Land Securities and MEPC can close their eyes to the asset value provided the

rents keep flowing.
For the record, Hammerson
in 1989 had pre-tax profits of
275.3m, just £200,000 more than In 1938 and its final dividend is 160, bringing the total to 19.5p, a rise of 15 per cent.

Prior sells 75% holding in Knobs & Knockers

By Vanessa Houlder

a London-based property group, has sold a 75 per cent stake in Jennings, Monk which trades as Knobe & Knockers, just nine months after it reversed into the USM-quoted specialist brassware retailer.

It has sold the stake to Mr Geoffrey Davy, who was a director of Storehouse, the retailing combine, until last

executive of Habitat UK and BhS. "We came to the conclu-sion that retailers need professional hands on menagement," said Mr James Prior, chairman of Prior. "We did not see any upturn with us working with

Knobs & Knockers is trading a loss after being squeezed the downturn in con

spending. During the six months to September 1989, Prior's retail division, which also incinced Beaver Architec-tural frommangery, a wholesale business, incurred a loss of \$213.000 £218.000.

Prior is being paid 275 and is keeping the surplus assets and accumulated reserves of Knobs & Knockers, worth £1.1m. It has given a financial commit-

to support Jennini Monk for a transitional

period.

Mr Prior said that the disposal would allow him to concentrate on his core business of property investment and trading.

Knobs & Knockers, which was set up 25 years ago, sells brassware and door fittings through 88 outlets.

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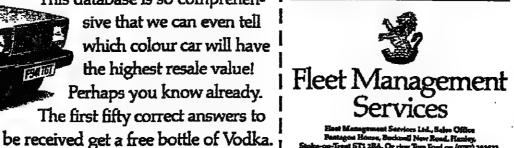
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UK COMPANY NEWS

Travis Perkins off 16% in poor housing market

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Travis
Perkins, the timber, building
and plumbing materials supplier, fell by 16 per cent in 1989,

profits of Travis

The group, which operates
mainly in southern England
and the Midlands, included
start work on no more than
profits of £3.74m (£2.39m) from
130,000 new homes this year, and plumbing materials sup-plier, fell by 16 per cent in 1989, from £39.2m to £32.8m, as the bottom fell out of the UK hous-

ing market.
Mr Tony Travis, chairman.

Mr Tony Travis, chairman, said it was the worst housing market he could remember. About 35 per cent of group sales went to housebuilders.

The residential repair, maintenance and improvement market, which accounted for another 40 per cent of sales; had also been hit by the sharp rise in interest rates, but not as hadly as new housebuilding.

Mr Travis said: "While it is disappointing to report a fall in profits in 1989 we draw some

profits in 1989 we draw some satisfaction from our achieve-ment in containing the damage inflicted by the worsening mar-

ket.
"I do not expect results this year to match those of last year but neither do I expect them to be substantially lower."

property sales, and also bene-litted from investment income of £1:68m (£1.76m). It has no horrowings

Pre-tax profits for 1988 of 539.2m were restated to take account of the merger between Travis & Arnold and Sandell Perkins in October 1988. Sales fell from £381.2m to £360.89m. fell from £381.2m to £360.89m.
Earnings per share dropped 4p to 22p. A final dividend of 5.5p makes total of 8p for the year; comparable, it was stated, to 7.5p if the two companies had been together for the whole of 1988.

& COMMENT

Tony Travis makes no secret of his view that 1990 is likely to see the worst of a housing recession which has already chalked up several casualties among housebuilders. Forecasts yesterday from the National Council of Building

1988. The value of housing output in constant 1985 prices is expected to tumble by 19 per cent following an 18.6 per cent fall last year. Overall construction output is forecast by the council to fall by 6 per cent this year and the council does not expect recovery to occur until 1992 – although it says housing output should recover next year by when interest rates are expected to be lower. All of which points to a rough passage for companies involved in selling materials to the housing sector this year. Property sales, however, could contribute about £4m to Travis contribute about £4m to Travis Perkins profits which should limit some of the downside. The lack of borrowing is also a great advantage in the current interest rate climate. Pre-tax profits of about £30m should provide earnings of about 20p leaving Travis on a prospective p/e of 81/s. It deserves its rating

at the top end for the sector

but do not expect the shares to do much in the short term,

given such a poor trading out-look for builders and builders

that private housebuilders will start work on no more than 130,000 new homes this year,

compared with 168,000 last

year and more-than 200,000 in 1988. The value of housing out-



Mr Gerald Rainer, the chairman and managing director of Ratners, the leading UK jewellery retail group, revealed yester-day that its UK shops sold 27 tonnes of nine carat gold last year, sufficient to build three double-decker London buses. Customers bought 8m watches, 5m pairs of earrings and 80,000 carats of diamonds, writes Maggle Urry.

diamonds, writes Maggie Ûrry.

Mr Ratner, who appears resigned to the lowly rating his shares receive in the stockmarket, said that the latest fashion trend is for men to wear earrings. "You may laugh," he told male journalists at a press conference, "but you'll be wearing them in six months time." His own ears were unadorned.

Presenting the group's board to the press conference Mr Ratner said his group had often been accused of being a one man hand, and, he said, "the one man has been described as a nit. Today we have the whole orchestra here," he added.

Mr Victor Ratner, Mr Ratner's cousin, who is deputy managing director and in charge of having for the group, said that

mr victor father, for father's cousin, who is deputy managing director and in charge of buying for the group, said that Rathers was selling a particular bracelet for £28.95 at Christmas 1988 and had cut the price to £29.95 by Christmas 1989, with a alight reduction in the weight. By Christmas 1990 it will be cheaper again, he said. Jewellery had now become the third most popular gift item having overtaken books and records.

Defence contracts behind Hunting's 42% rise to £48.4m

A STRONG performance in defence markets helped Hunting increase pre-tax profit by 42 per cent to \$48.4m in 1989.

248.4m in 1989.

Nearly £25m (£18.3m) of that figure came from defence, which contributed £239m (£247.9m) to group sales of £748.6m (£646.1m).

Mr Ken Miller, the group's chief executive, said the margin on the JP233 airfield attack weapon had improved

attack weapon had improved as the contracts matured. But this year's contribu-tion would be lower and next year it would drop right

away.
There would be no big "profit hole" after the JP233, he said. With the belp of growth in non-defence areas, earnings were ex-pected to remain flat this year and to fall slightly in

Other defence develop-ments included being appointed the prime contrac-tor for part of West Germany's Multi-Launch Rocket System project, and export potential for the LAW80 shoulder-launched anti-tank

weapon.

Following the merger last summer of three family-controlled companies, the group had now been organised into

three divisions, the other two being aviation, and oil and

technology.
In aviation, sales shot up to £138.2m (£94m), but pre-tax profit slipped to £5.4m (£5.8m). Progress in the UK on fit-

ting out aircraft had been held up by a poor perfor-mance from a Canadian subsidiary, since sold to management.

On the oil and technology side, a big increase in crude oil sales in Canada helped the Gibson subsidiary, which was also making progress in gas

products.
The division's turnover advanced to £327.2m (£250.6m). But pre-tax profit was flat at £9.5m Mr Miller said the contribu-

tion from specialist products had fallen because of disruption following the sale of a lubricants business coupled with difficulties in DIY mar-Rets.

the group intended to sell a number of subsidiaries which had made only a small contri-bution to 1989 profits. Mr Miller said these disposals would have reduced gear-ing from 54 per cent to single figures, were it not for planned expansion.

Net interest charges last

per share rose from 25.6p to 31.8p. A recommended final dividend of 5.5p makes a total for the year of 9p, up from 6.7p last time.

Other activities, such as

ship broking and pension savings, added a further £5.3m profit Fully diluted earnings

COMMENT

£121.5

year were £4m.

Although the pre-tax profit came in ahead of the forecast, this was more to do with miscellaneous benefits than growth in non-defence busi-nesses. Similarly this year, the declining profit from JP233 is expected to be offset as much by disposals as by any imminent surge in aviation or oil and technology. Next year should prove more fruitful both in terms of the newer defence systems and the activities boasting greater potential. Examples are US expansion in fitting out commuter aircraft and the results of a market-ing push for branded products, such as Hammerite car care. But this is not expected to be enough to prevent an earnings fall in 1991. This year, a pre-tax profit of £48m gives a predictably undemanding prospective p/e of about six.

Runciman still seeks to thwart Swedish bid

By Clare Pearson

WALTER RUNCIMAN, the walter Eunciman, the security equipment, shipping and insurance group fighting a rearguard action against hostile hidder Avena, the Swedish company, yesterday said talks that had been started with ons potential "white knight" were off - but it and opened discussions with another. sions with another,

The company said the new talks might or might not lead to an offer being made. In the meantime, it strongly urged shareholders to hold on to their shares.

Talks are being conducted

Knocken

Talks are being conducted under the shadow of a hefty 42 per cent stake in Runciman held by Avena, which also claims acceptances in respect of a further 5 per cent.

Avena moved into this position last week after it twice increased its cash offer. The second jump, from 635p to a final 690p per share, tempted

Scottish Amicable Investment Managers to sell a long-held 8.4

per cent stake.
With dealings virtually at a standstill, the shares yesterday closed 5p down at 700p. This is 1p above Avena's offer, taking

into account a 90 dividend enti-tlement. Runciman said discussions, commenced last Thurday with the first third party, had found-ered as they had not resulted in an offer for the whole company. Talks with the new party had taken place over the week-end and it had indicated its

interest in further talks, Market speculation about the identity of the first third party last week focussed on Scandinavian shipping companies which might be interested in Runciman's gas carriers business. Avena was originally attracted by the Tann security equipment aide.

RATNERS

RECORD OF ACHIEVEMENT

1992 REDRAWING THE MAP OF EUROPE

The Financial Times proposes to publish a Survey on the above on

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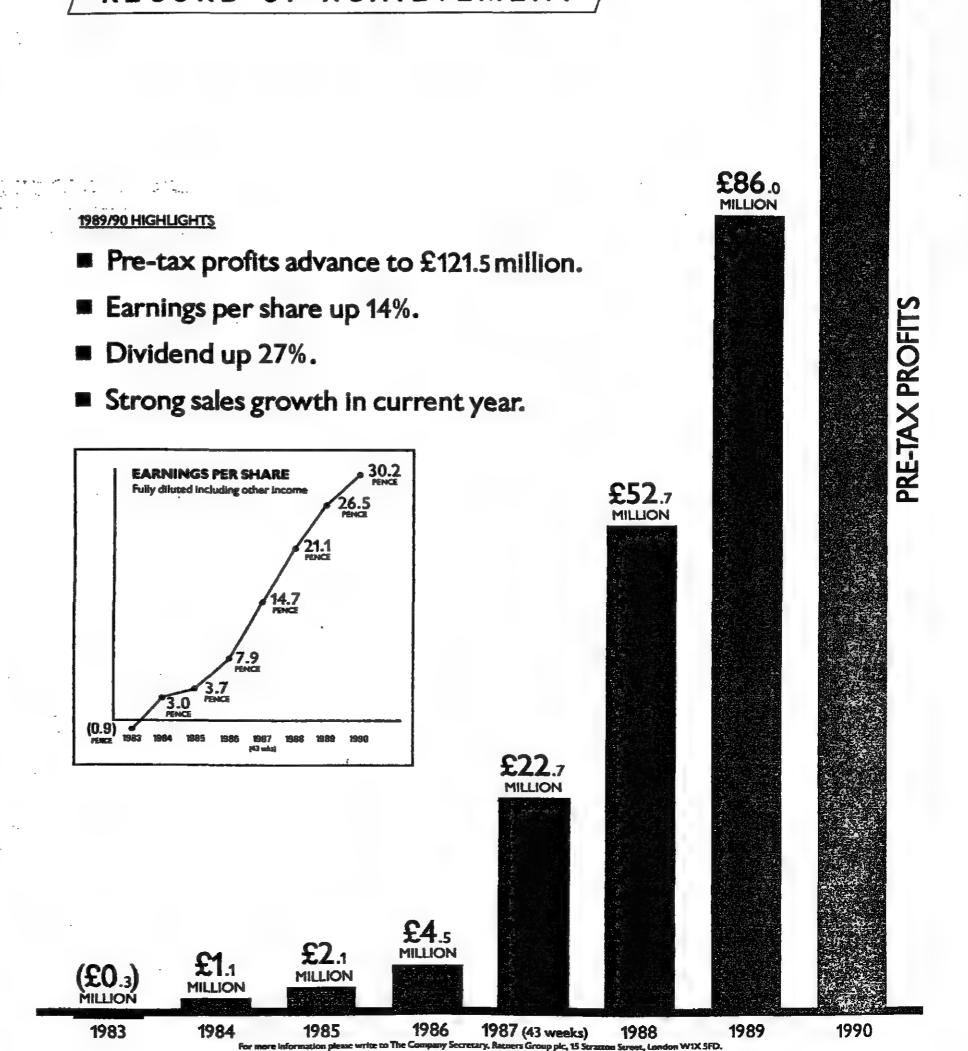
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TURRIER

STRENGTH IN DIVERSITY

UK COMPANY NEWS

Profits growth held back by losses and closure costs at start-up venture

Farnell Electronics rises 13% to £30.64m

By Vanessa Houlder

FARNELL ELECTRONICS, manufacturer and distributor of electric and electronic equipment, yesterday announced a 13 per cent increase pre-tax profits from \$27.11m to \$30.64m for the year to January 28. Turnover increased from £138.37m to £169.67m.

Mr Henry Elstone, group finance director, said he was fairly confident about the current year. "We are miles from recession in our view."

The results reflected growth by the electronics component distribution operation and the

electronic equipment manufacturing operation, which reported operating profits of £21.33m (£18.48m) and £8.87m

Advance Power Supplies, Wallis Hivolt and Wayne Kerr, the three manufacturing com-

held back by a £1.13m loss from FFB, a start-up venture in information retrieval. This business was closed in October, giving an extraordinary

loss).
Before the extraordinary

items there was a loss of 11.2p

per share (0.7p loss). Because of the offer, the board does not

recommend payment of a final dividend.

British Empire Trust

At March 31 the net asset value of British Empire Securi-ties and General Trust had

slipped to 60.86p, from the 61.89p of six months earlier.

However, the latest value did show a 5.56p improvement over March 31 1989.

fall in interest from securities to £586,000 (£1.25m). Dividend

income rose to £720,000 (£555,000) and deposit interest and other revenue to £627,000

Bridon negotiating

Dutch acquisition

the US.

vertible bond.

Bridon group.

net asset value slips

(£6.88m) respectively.

panies bought in 1988, showed a strong profits improvement following restructuring.
However, the results were

charge of £2.94m The closure of FFB marked a reversal of its strategy of investing in start-up ventures It sold DH Group, a joint venture in aircraft communica-tions at the start of last year.

However, Terrafix, a start-up in automatic vehicle location is expected to make its first sales in the next few months.
At the year end there was cash of £13m. Mr Elstone said the company was looking at purchases in Europe and the

Earnings per share increased

from 13.5p to 14.5p. A proposed final dividend of 2.7p makes

4.8p (4.2p). O COMMENT' As Farnell heads for its 25th year of consecutive earnings

growth, its core distribution business seems to be as robust as ever. By focusing on small, rapidly delivered erders with a differentiated pricing structure, it is well placed to ride out a slow-down in the economy. And although its glittering margins attract competi-tors, its broad spread of small

customers means there are rel-atively high barriers to entry. Nonetheless, over the medium term, there is likely to be some erosion of its position. And sceptics, looking at the hapless record of the start-up ventures, sometimes doubt whether it can invest the cash it generates without dilution. Recently the enthusiasts have been driving up the share price, which closed yesterday up 4p to 162p. At that price, the shares are on a reasonably valued p/e of 9.5, assuming pre-tax profits of £35.5m this year.

NEWS DIGEST

Huntleigh advances to £936,000

HUNTLEIGH TECHNOLOGY, the maker of instrumentation and control systems for indus-trial and medical applications, lifted pre-tax profits 47 per cent from £638,000 to £936,000 in 1989. Turnover rose 13 per cent from £13.21m to £14.87m.

This USM-quoted company, which makes 80 per cent of its sales abroad, said that the finance charge had been reduced to £184,000 (£227,000) by minimising interest rates through borrowing overseas in currencies and amounts which equated to the overseas sales.

There was an extraordinary credit of £123,000 from last April's sale of Proximity Switch and further considerswitch and the terrorsher-stion from subsidiaries sold in 1983. Earnings were up 36 per cent to 7.1p (5.23p) and the final dividend is 1.25p to make 2p (1p) for the year. The company said that

export demand was expected to increase further as both west-ern and eastern governments reduced their military expenditure. It said that previous experience had shown that health-care provisions increased at

Net assets decline at Berry Starquest

Berry Starquest, one of the quoted investment trusts man-aged by GT Management, saw its net asset value decline from 215.7p to 208.5p over the year to the end of January 1990.

Mr Dennis Nicholson, chair-man, said that following new incentives for private investors in Personal Equity Plans in the March 1989 Budget, Berry altered its investment policy towards smaller companies. Unfortunately they performed poorly in the second half of the year which resulted in the 3.8 per cent decline in asset value. Total income was down from 2558,000 to £486,000. After interest of £41,000 (nil) and manag

ment expenses of £273,000 (£199,000) pre-tax profits were halved at £172,000 (£359,000) for earnings of 2.3p (4.6p) after tax of £54,000 (£118,000).

The board is proposing a single final dividend of 1.5p against last year's total of 4p, which included a final payment of 2p. Mr Nicholson said the previous year's total pay-ment was not comparable because investment income had been boosted by substan-tial holdings in UK Government securities and cash deposits earning high rates of interest relative to equity divi-

Early's losses mount as it bids farewell

Early's of Witney, blankst manufacturer, makes a sad farewell as an independent farewell as an independent company – it is currently the subject of a recommended £13.1m takeover bid from Grovewood Securities – with a loss of £1.04m, compared with a previous loss of £11,345, for the year to January 27 last.

The board said the loss during the second half of the year was in part due to exceptional costs resulting from continued.

costs resulting from continued reorganisation of textile activities. Turnover was actually £678,000 up at £9.7m. After crediting extraordinary

items of £2.69m, which consisted principally of the profit of the sale of Mount Mills at Witney, there was a profit for the period of £2.04m (£33,794

LEGAL NOTICES

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at The Chartered losurance Institute, The Insurance Hall, 20 Aldermanbury. London EC2V 7H7 on Wednesday, the 2nd day of May 1990 at 11 octook in the morning, for the purposes

Statements of claim, and proxy forms it applicable, must be lodged at 165 Queen Victoria Street, Lendon EG4V 400 not laser than 12.00 noon on the lat day of May 1890.

25.1m to £6.1m, but trading profit was a little lower at £3.61m (£3.98m) and other

The board said the housing division based in the Midlands and South East has had a difficult period, due to reduced demand caused by high inter-est rates, but with a well-lo-cated land bank they said that division was well positioned to

Since the half year end,

In the half year ended March 31 earnings fell from 0.6p to 0.46p, but the interim dividend is held at 0.25p. Total revenue dropped from \$2.18m to £1.9m, reflecting a An interim dividend of

Lex Service

Bridon, the wire and wire rope manufacturer, is in negotiation to acquire Verto, the Dutch wire rope and synthetic fibre producer with operations in the Netherlands, Belgium, and Sir Trevor Chinn, chairman and chief executive of Lex Ser-Agreement is expected between the companies whereby Bridon will make an offer for Verto under the fol-

However, he did expect proflowing terms: Fl 86 cash for each Fl 20 common share (including the 1989 ordinary dividend of Fl 2.75), and Fl 1,100 cash for each Fl 1,000 con-

The offer for the common stock (net of the dividend) values Verto's net assets at FI 62.5m (£20.2m), while the terms for the bonds puts them at FI II.8m (£7m). ILlim (E7m). In 1989 Verto made a pre-tax-profit of Fl 4.1m (£1.3m) on turnover of Fi 256.3m (283.7m). under the existing names of its

Allied London tumbles to £3.87m

Allied London Properties pre-tax profits for the six months ended December 31 have tum-bled from 55.52m to 23.67m. Rental income was up from

income unchanged at £1.7m. Administrative expenses rose from £2.73m to £3.14m and interest payable from £2.53m to

take advantage of any upturn in the market.

Elstree Tower, the group's largest office development at Borehamwood, Hertfordshire, has been let to Unitel at a pass-ing rent of £2m which will increase rental income by 16 per cent on an annualised

1.075p (same) has been declared from earnings per share of 2.5p (4.3p) undiluted and 2.77p (3.62p) fully diluted. Tax charged was 2975,000 (£1.92m).

forecasts recovery

vice, the car and electronics group, told the recent AGM that he remained cautious on the economic environment both in the UK and the US and its effect on business.

its for the first half of this year to show "a healthy recovery" over the second period of 1968, when they reached only £19m and resulted in a reduction from 170.4m to 155.5m for the full year.



Sir Trevor Chinn: cautious on

Operating profit from pas-senger car businesses was encouragingly higher in the

encouragingly higher in the first quarter, compared with the last period of 1969.

The electronic component side, including a strong contribution from the joint venture in Taiwan, achieved a small lift in trading profits in the opening three months over the like 1989 quarter.

Power Corporation exceeds I£10m

shown by Power Corporation, the Dublin-based commercial property investor and devel-

oper, in 1989.
Turnover expanded from
E11.36m to E230.98m, or £30m,
while the pre-tax profit
increased from 1£6.41m to 15:10.26m; equal to £9.96m. With earnings at 10.02p (8.37p) the final dividend is 3.6p for a total of 5.4p on capital increased by the March 1989 rights issue

Mr Robin Power, the chair man, said the company now had an excellent base from which to expand. At present there were no net borrowings, bank syndicate facilities had been increased and there was available increasing amounts

of non-recourse finance for new purchases.

"In a market where sellers now outnumber layers, altrac-tive acquisition opportunities are available", he said The company operates in Ireland, the UK and the US. At

the year-end its net tangible asset value, following indepenasset vame, following independent valuation, was 244p, against 95p at end 1958. That excluded the interest in Ambassador Hotel development sits of 23.5 acres in Los Angeles and the Town Centre in Blackpool, both taken at cost.

Trocasso Centre continued its good progress and the trading properties in Kensington High Street performed satisfactorily. Following the establishment of new rent levels disposals were made for substantial Apart from the Ambessador interest, other purchases were

Consumer downturn

hits S Lyles The difficult conditions in the home domestic carpet market meant reduced turnover and

profits for S Lyles in the half year ended December 31 1989. This Dewsbury-based yarn spinner and dyer saw sales fall to 29.82m (£11.42m) and the pre-tax profit, exacerbated by high interest charges, drop to £301,000 (£491,000).

However, turnover in the current six months was run-ning at a higher monthly level, and exports were performing well, said Mr John Lyles, the

chairman.

That should lead to a satisfactory outcome for that period, especially when viewed in the context of the trade as a

In the first half, exports were higher by volume and value; turnover rose to £4.4m (£4.01m).

Earnings fell to 2.51p (4.18p) but the interim dividend is held at 1.5p.

Acquisitions help lift CCS to £177,000

The enlarged CCS Group, supplier of a broad range of specialist subcontract services and building materials, lifted its pre-tax profit from £144,000 to £177,000 in the year ended

ovember 20 1960. But had the largest acquisition, G Blagg, been wholly-owned throughout the year, the profit would have been \$354,000, said Mr Chris Wilson,

The group came too the USM a year ago following the reverse takeover of Bluemel Brothers, the cycle accessories group. It made three acquisitions and expanded into several new areas of

Mr Wilson was confident that the enlarged trading base would provide a solid foundation for strong growth.

Turnover for the year expanded to 26.55m (25.78m). Earnings were 1.18p (0.32p) and the final dividend is 0.35p for a total of 0.55p.

Children's Medical

. net asset value rises Net asset value at Children's Medical Charity Investment Trust stood at 98.80 per share on December 31, compared with 95.90 a year earlier. Fully diluted for the warrants, the value increased from 96.50 to

98p.
The trust had a surplus of 271,402 (£52,952) for 1989, before tax of £43 (£41).



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UK COMPANY NEWS

Central TV buys 49% of US producer's UK arm Equity &

By Raymond Snoddy

Television announced yester-day it had agreed to acquire a 49 per cent stake in Chris Bearde Entertainment, the new UK-based international arm of the Los Angeles producer.
The Central deal which will

call on finance and creative skills from both sides of the Atlantic to produce television programmes for the international market is the latest sign that Britain's ITV companies are becoming more interna-

The agreement comes days after Granada Television announced at the MIP-TV proannounced at the MIP-TV programme market in Cannes the formation of a European consortium with Hachette International Television of France and Norddeutscher Rundfunk of television projects for the international market.

Of the top six-TFV companies only London Weekend has stayed resolutely away from foreign acquisitions and

CENTRAL Independent Television announced yester— West Germany to produce and . decided as a conscious policy to concentrate on retaining its on a worldwide basis.

Mr David Plowright, chairman of Granada Television believes the European televi-sion market has been transformed by deregulation and that there is a new will among European producers to be major suppliers to the world television market.

The announcements follow

on the heals of the creation last month of Tango.a joint venture between Yorkshire Television and NBC, the leading US network, to develop television projects for the international market

COMPANY NEWS IN BRIEF

AITCH ' HOLDINGS is and Mr Phillip Gunn. Initial proposing to reduce its share consideration is £70,000 cash capital by cancelling 5p on and \$0,000 Lincoln shares. Depending on profits the and share premium account by deferred consideration can be 23.14m in order to eliminate the deficit on reserves and facilitate the payment of divi-

equal to the net asset value at end 1991, or 1.5 times profit subject to a maximum \$2.5m. NORMAN REEVES (Motors) CITYVISION agm told that opening 20 weeks of current year had been more than satisfactory. Current cash balance of the preference. NSM has paid £650,000 in-161,290 shares and cash to purexceeded £15m and no bank borrowings, leaving company set to take-number of video rental stores to well over 1,000 (at present 670) without borrights offer has been taken up. Tan received acceptances in

cowing.

COWIE (T): Trading conditions continued to be difficult, Mr Tom Cowie, chairman, told the annual meeting, and there would not be a significant improvement in profits until interest vates carne down. Here interest rates came down. How-ever, he added that trading in the first three months had held up reasonably well.
EUROMONEY PUBLICATIONS

is buying Camrus Airport Pubishers for a maximum £700,000 cash. Mr Jeremy Richardson, the controlling shareholder, will receive a £500,000 down payment, plus a further maximum £150,000 related to turnover, Mr Christopher Surgenor, who holds 5 per cent of the shares, will get a turnover-re-lated consideration of up to £50,000. Camrus publishes periodicals covering airport sup-plies and aircraft maintenance; in 1989 it incurred a loss of £1,375 on turnover of £705,853. KINGSTON OIL & Ges made pre-tax profit of £1.15m for 18. months ended December 31 1969, against \$1.33m previous year. Earnings 11.34 (11.06) cents; final dividend 11 cents to make 2.6592 (1.75) cents, equal to 1.6619p (1p). The results were considered good

results were considered good against the background of major change in US oil and gas industry in general, and in Ohio in particular.

LINCOLN HOUSE is making its first acquisition outside the home furnishing area with the purchase of Troiks, which makes corporate gifts, personalised items and jewellery, and is run by Mr Peter Osborne interest of 11.9 per cent.

WHITECROFT DEVELOP-MENTS has sold its Fiscal House office development in Carlot Munchester to the Electricity Supply Pension Fund for 25.7m. The building was pre-let to GRE Properties at an annual commercial rent of 2350,000. Whitecroft has also let its Eldon office development in Reading.

The Mark

是一起 化二进程法

English Company

has accepted the offers from Estates & General Investments

in respect of 96.85 per cent of the ordinary and 84.63 per cent

chase Envirotank (Irvine). SIMON ENGINEERING says

95.5 per cent of the recent

respect of 70.43m convertible unsecured loan units, repre-senting 81.02 per cent of the

VAUX GROUP: The 6% per cent debenture stock 1987/90 will be redeemed at par on

April 30. A final interest payment of £1.58 per £100 of stock for the period from February 2

1960 up to the redemption date will be made. In addition, the 7% per cent debenture stock 1967/92 will be redeemed early at par plus a premium of 1 per cent of the nominal amounts of the control of the control of the control of the cent of the cent of the nominal amounts of the cent of the cen

stock on April 30 plus accrued

VERSON INTERNATIONAL has exercised its option and increased its holding in Verson

Suropa, of Belgium, from 40 per cent to 78 per cent. The previous principal shareholder was Societe Regionale D'In-vestment de Wallonie. That

company and Verson agreed to an aditional capital subscrip-tion of BF73.5m (£1.3m) to

Europa, of which BF58.5m came from Verson SRIW also provided a BF45m 10 year

interest of 11.9 per cent. WHITECROFT DEVELOP-

Jones Group rises 6% to I£5.47m

venture is part of Central's strategy of growth from the

group's core strengths of pro-gramme production, broadcast and distribution."

A rise in pre-tax profits in 1969 from I£5.18m to E5.47m; or £5.32m sterling, was yesterday reported at the Jones Group, the Dublin-based company. Turnover was up at 19112.21m (1986.22m) and earnings advanced to 35.9p (33.8p) per share. The final dividend is a recommended 8p (7p) to make 11p (10p) for the year.

Receivers in at rest of General

By Andrew Hill

to concentrate on retaining its UK franchise. Earlier this year Thames
Television completed the £57m
acquisition of Reeves Communications Corporation producer
of situation comedies such as BARCLAYS BANK, which called in administrative receivers at Equity & Gener-al's financial services opera-tion last week, has now appointed the same receivers Gimme a Break and Kate & Allie and TVS Entertainment paid \$320m for MTM. to administrate the rest of the

The appointment of Mr John Richards and Mr Anthony Houghton of Touche Ross was again made at the request of the Equity board. Equity's loss-making asset lessing activities were known Apart from its stake in Chris Bearde Entertainment, Central already has a small US production and distribution company called Zodiac set up a year ago.

Mr Leslie Hill managing director of Central said yesterday of its new deal : This production is new deal : This

to be a drag on the group's motor division, which owns a string of motor dealerships. It is understood that the motor division is not in difficulties.

The receivers needed access to the whole company because the financial services arm was involved with leasing, finance and contract hire business for the motor dealerships.

Rguity announced in February that it planned to sell the finance division, which it said had been hit by high interest

rates. At the same time, it warned that the division's losses would overshadow the better performance of the motor division, so that group would only produce nominal trading profits in 1989.

Second half loss cuts Hartons profit by £4m to £608,000

HIGH INTEREST rates caused a loss in the second half at Hartons Group, the plastics manufacturer and distributor. This downturn resulted in sharply reduced pre-tax profits of £608,000 for 1989 and compared with profits of £4.92m in 1986 and with £627,000 in the first half of 1689.

The recommended final dividend has been significantly reduced from 1.09p to 0.1p to make 0.2p (1.7p) for the year. The loss per share worked through at 0.06p (earnings 3.85n)

Mr Colin Astin, chief execu-

tive, said that the company was particularly vulnerable to the UK economic scene, because it had more than 30,000 customers with no one customer accounting for more than 1 per cent of turnover. "We are in every aspect of industry," he said, "and there has been a lot of hurting going

on, particularly in building and retailing." Explaining the company's profits decline, he said: "We noticed at the start of 1989 that when decisions on capital expenditure had to be made, more and more of our customers were asking themselves what they could cut back on until interest rates came down." Mr Astin maintained that Hartons' products fell into this "first savings to be made"

category.

The company has made 60 redundancies in cutting the number of its branches from 32 to 27 and, although Mr Astin felt that the rationalisation was now complete and the "dif-ficult trading landscape had now flattened out", he added: "I just hope it isn't the lull before the storm. Turnover climbed from £124.53m to £153m in the full

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FINANCIAL TIMES

SUNALLIANCE

CHAIRMAN'S STATEMENT

1989 was a difficult year. There was sharper competition in the marketplace, particularly in the UK where high interest rates, which are the Government's main resource to fight the rapid rise in inflation, encouraged some underwriters to take on business at unrealistic rates. It was a year of natural disasters, with destructive hurricanes in the Caribbean and the south-eastern United States, and earthquakes in California and Australia. In all these calamities the Group bore its share of loss, but inevitably for our company nothing was more costly than the long hot summer in the UE which has so far produced some 7,800 claims for subsidence. Some of these arise only when houses change hands and prospective purchasers have a survey. Consequently we may expect further claims when the residential property market in due course revives.

In all these circumstances we regard the Group profit of £318m as satisfactory, particularly since this result does not fully disclose the immense strength of the Sun Alliance. The benefits of our consistent policy of looking for long-term growth in our portfolio of equities and property were clearly demonstrated during 1989 by the increase of more than £800m in the Group's net assets. This balance sheet strength gives us the capacity to underwrite with confidence on a European and worldwide scale, to expand our business in a coherent manner in the developing financial services market, and to maintain dividend growth despite the inevitable fluctuations of underwriting results.

The embedded value, which represents the shareholders' interest in our existing UK long-term insurance business, has been independently valued as at \$1st December 1989 at over £550m. Whilst this is considerably less than the appraisal value of our long-term business, which includes the value of future new business, it does furnish further evidence of the strength of the Group.

The Group reorganisation foreshadowed in last year's report, and established by the Scheme of Arrangement sanctioned by the High Court, has gone ahead smoothly with a more logical coordination of marketing, underwriting, and dealing with claims. This will enable us to offer an even higher standard of service to our long-standing connections.

The Group welcomes Sir Leon Brittan's efforts to speed up the process of bringing freedom to supply personal general and life business services throughout Europe, but conditions must be the same for all competitors in the market, and this applies

particularly to taxation. It is unsatisfactory that reserves set aside to allow for catastrophes such as the recent storms should be eligible for tax relief in many European countries but not in the UK. It is equally unhelpful that the Inland Revenue continues to seek to discount outstanding general business claims, which would effectively tax investment income before it was received. We should not be placed under a handicap in competing for business at a time when other trade barriers are being dismantled, and when Government expenditure abroad and the heavy outflow of funds on interest payments are making serious inroads into the hardwon invisible earnings to which insurance has been so vital a contributor over the years.

1990 has started with violent hurricanes much more widespread than those of October 1987 and well insured companies and individuals will have reason to be thankful for their cover. The cost, although mitigated by catastrophe reinsurance, will be high. If these storms prove, as some suggest, to be the harbingers of serious climatic change, there can be no doubt that rates will have to reflect the risk. Nevertheless, after the Group's steady advance in the 1980s there is every reason to look forward with confidence to the last decade of the century.

Dividend

The Directors recommend a final dividend for 1989 of 8p per share, making a total dividend for the year

Conclusion

The setting up of our new structure and its smooth inauguration has called for imagination, meticulous planning and much hard work. Its success and the good results for 1989 are due to the enthusiastic support of all the people who work for the Group at home and abroad. To all of them I express my admiration and gratitude.

RESULTS FOR 1989		
The audited Group results for 1989 are as follows:	1989	1988
	£m	£m
Premium income		
General insurance	2,475.3	2,252.2
Long-term insurance	810.6	859.6
	3,285.9	3,111.8
Profit and loss account		
General insurance underwriting result	(63.7)	38.7
Long-term insurance profits	40.5	34.0
Investment and other income	-341.8	279.7
Profit before taxation	318.6	372 4
Taxation	90.9	110.3
Minority interests	12.3	10.4
Profit attributable to shareholders	215.4	251.7
Dividend	99.0	80.9
Profit retained	116.4	170.8
Share capital and reserves	2,936.5	2,103.1
Earnings per share	27.3p	31.9
Dividend per share	12.5p	10.25

The Annual General Meeting of Sun Alliance Group plc will be held at 12.30 pm on 16th May, 1990 at the Head Office, I Bartholomew Lane, London EC2N 2AB. The Annual Report and Accounts were posted to shareholders on 23rd April, 1990. If you are not a shareholder and would like a

Sun Alliance Group plc

copy please write to the Company Secretary at the above address.

Head Office: 1 Bartholomew Lane London EC2N 2AB

Metal Group			ax
Broad spectrus			elists
	1989	1988	
	2000	2000	
Turnover	60,243	52,117 -	⊦16%
Group profit before taxation	7,055	6,087 -	⊦16%
Dividends per ordinary share	3.8p	3.16p -	⊦20%
Earnings per share	8.79p	7.74p -	14%
"For the rest of 1 much better that competitors."			•
John Wardle Cf	nairman		
Report and Accounts f Metakax Group PLC, / Birmingham BS8 9PN	Ardath Road,	Kings Norton	



Incorporated with limited liability in the Republic of France

Share capital: FF547,136,010 Head Office: 7 rue de Téhéran - 75008 Paris, France NOTICE OF MEETINGS

Shareholders are hereby informed that an Ordinary General Meeting and an Extraordinary General Meeting will be held at the Automobile Club de France, 6 Place de la Concorde, 75008 Paris on 30th May, 1990 (AGM at 11a.m., EGM afterwards) to consider the following agenda:

Annual General Meeting

- Reports of the Board of Directors and the auditors; Approval of transactions falling within Arnele 101 of the law of 24th July, 1966;
- Approval of the accounts for the year ended 31st December, 1989 and quietus to the Board of Directors; Apportionment of profits and determination of dividend;
- Proposal for payment of dividend in shares; Re-election of Directors;
- Renewal of the authorisation to the Board of Directors to purchase shares of the Company on the Stock Exchange; Renewal of the authorisation to the Board of Directors to issue bonds.

Extraordinary General Meeting

Reports of the Board of Directors, the Commissaire aux apports et à la fusion and the auditors.

Merger with the company FINALIM II by way of absorption of the latter, increase in share capital and amendment of Article 6 of the Articles of Incorporation, authorisation to the Board of Directors to apply all or part of the share

Authorisation to the Board of Directors to increase the share capital, on one or more occasions, in Prance or abroad, by up to a maximum nominal amount of FF300 million through the issue of new shares, with maintenance of the shareholders' preferential subscription rights.

4. Authorisation to the Board of Directors to increase the share capital, on one or more occasions, in Prance or abroad, by up to a maximum nominal amount of FF75 million through the issue of new shares, with maintenance of the shareholders' preferential subscription rights.

5. Authorisation to the Board of Directors to issue, on one or more occasions, in Prance or abroad, bonds convertible into shares of the company up to a maximum nominal amount of FF75 billion with maintenance of the shareholders' preferential subscription rights.

Authorisation to the Board of Directors to issue, on one or more occasions, in France or abroad, bonds convertible
into shares of the company up to a maximum nominal amount of FFS billion and waiver of the shareholders'
preferential subscription rights.
 Authorisation to the Board of Directors to issue, on one or more occasions, in France or abroad, bonds redeemable

Authorisation to the Board of Directors to issue, on one or more occasions, in France or about, comes recentance through the issue of shares of the company up to a maximum nominal amount of FFS billion with maintenance of the shareholders' preferential subscription rights.
 Authorisation to the Board of Directors to issue, on one or more occasions, in France or abroad, bonds redeemable through the issue of shares of the company up to a maximum nominal amount of FFS billion and waiver of the shareholders' preferential subscription rights.
 Authorisation to the Board of Directors to issue, on one or more occasions, in France or abroad, bonds with warrants and for subscription to the Board of Directors to issue, on one or more occasions, in France or abroad, bonds with warrants are the forest-presentation to the Board of Directors to issue, on one or more occasions, in France or abroad, bonds with warrants

attached for subscription to shares of the company up to a maximum nominal amount of FP5 billion, the traximum nominal amount of shares to which warrant holders may subscribe being fixed at FF150 million, with maintenance of

nominal amount of stares in which warrant holders may asserted being likes at PF150 indiced, what maintenance of the shareholders' preferential subscription rights.

10. Authorisation to the Board of Directors to issue, on one or more occasions, in France or abroad, bonds with warrants apached for subscription to shares of the company up to a maximum nominal amount of FF5 billion, the maximum nominal amount of shares to which warrant holders may subscribe being fixed at FF150 million, and waiver of the shareholders' preferential subscription rights.

11. Authorisation to the Board of Directors to issue, on one or more occasions. In Prance or abroad, warrants to

Authorisation to the locate of Directors to Issue, on one or more occasions, in Practice or statement of states of the company up to a maximum nominal amount of FF5 billion, the maximum nominal amount of states to which warrant holders may subscribe being fixed at FF75 million, with the maintenance of the starcholders' preferential subscription rights.
 Authorisation to the Board of Directors to Issue, on one or more occasions, in Practice or abroad, warrants to subscribe to shares of the company up to a maximum nominal amount of FF5 billion, the maximum nominal amount of shares to which warrant holders may subscribe being fixed at FF75 million, and waiver of the shareholders' preferential subscription rights.

13. Authorisation to the Board of Directors to lastic, on one or more occasions, in France or abroad, securities giving the right through conversion, exchange, redemption, presentation of a warrant or otherwise to the issue of shares of the company up to a maximum nominal amount of FF5 billion, the maximum nominal amount of shares issued in respect of this class of capital being fixed at FF150 million with maintenance of the shareholders' preferential

14. Authorisation to the Board of Directors to Issue, on one or more occasions, in France or abroad, securities giving the Authorisation to the Board of Directors to Issue, on one or more occasions, in Prance or abroad, securities giving the right through conversion, suchange, redemption, presentation of a warrant or otherwise to the issue of shares of the company up to a maximum nominal amount of PFS billion, the maximum nominal amount of shares issued in respect of this class of capital being fixed at FF150 million and waiver of the shareholders' preferential subscription rights.
 Limitation to FF150 million of the total amount of increases in capital that may be permitted by virtue of the authorisations contained in resolutions 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14.
 Authorisation to the Board of Directors to grant options to subscribe to shares of the Company for the benefit of employees or managers of the Company and companies and "groupements d'intérét économique" in which the Company holds at least 10% of the equity.
 Harmonisation of the Articles of incorporation with the provisions of the law of 2nd August, 1989 concerning commercial companies, and consequential modification of Article II — III (transfer of shares).
 Power of anoragy for carrying out formalities.

18. Power of attorney for carrying out formalities. All shareholders will be entitled to attend the Meeting, regardless of the number of shares hold.

To be omitted to attend or to be represented at the Meeting:

holders of registered shares must be recorded in the Company's share register at least five days before the date of the

holders of bearer shares must deposit at the head office of the Company or at a branch of the Institutions Used below, at least five days before the date of the Meeting, a cartificate evidencing that the shares have been deposited with horised intermediaries until the date of the Moeting:

Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT, ENGLAND, Lazard Frères et Cie, 121 boulevard Haussmann, 75008 Paris, FRANCE. Crédit Lyonnais, 19 boulevard des Italiens, 75002 Paris, FRANCE. Banque Paribas, 3 rue d'Antin, 75002 Paris, FRANCE. Banque Parloat, 3 fue d'Antin, 75002 Parls, FRANCE.

Banque de Neuflize, Schlumberger, Mallet, 3 avenue Hoche, 75008 Parls, FRANCE.

Crédit Industriel et Commercial de Paris, 66 rue de la Victoire, 75009 Paris, FRANCE.

Société Générale, 29 boulevard Haussmann, 75009 Paris, FRANCE.

Banque Transatlantique, 17 boulevard Haussmann, 75009 Paris, FRANCE.

Crédit du Nord, 6 et 8 boulevard Haussmann, 75009 Paris, FRANCE. Société Lyonnaise de Banque, 8 rue de la République, 6900 I Lyon, FRANCE. Banque Nationale de Paris, 16 boulevard des Italiens, 75009 Paris, FRANCE. Mutuelle Industrielle, 55 rue la Boétie, 75008 Paris, FRANCE. Générale de Banque, 3 Montagne du Parc, Brussels, BELGIUM, Banque Indosuez, 96 boulevard Hausemann, 75008 Paris, FRANCE. Lombard, Odier et Cic., 11 Corraterie, Geneva, SWITZERLAND. A. Sarasin et Cle., 107 Freiestrasse, 3, Basie, SWITZERLAND. J. Vontobel et Cle., Bahnhofstrasse 3, Zurich, SWITZERLAND. Banque Worms, 1 place des Degrès, Cedex 58, 92058 Paris la Defense, FRANCE, Banque Demachy et Associés, 223 rue Saint Honoré, 75001 Paris, FRANCE, Caisse des Depois et Consignations, 56 rue de Lille, 75007 Paris, FRANCE.

A voting form will be sent to every shareholder registered on the share register in order to vote by post.

Holders of bearer shares desiring to vote by post may obtain a voting form from the above institutions; holders must request such forms by registered letter to arrive at the institution not less than 4x days before the date of the Meeting. Postal votes will be accepted only if received by the institutions at least five days before the date of the Meeting or received at the registered office of the Company at least three days before the date of the Meeting. Copies of the resolutions to be submitted to the shareholders at the Meeting may be obtained from the offices of Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT.

Le Conseil d'Administration

This announcement appears as a matter of record only.

The Indonesia Equity Fund Limited (Incorporated with limited liability under the lana of the Island of Jersey)

U.S. \$30,000,000

Placing of 3,000,000 Ordinary Shares of U.S. \$0.01 each (with one Warrant attached to every five shares) at a price of U.S. \$10.00 per share

Investment Manager Daiwa International Capital Management (H.K.) Limited

> Co-Investment Advisers Bank Negara Indonesia 1946 Wardley Investment Services Limited

> > Lead Manager and Sponsor

Daiwa Europe Limited

Co-Lead Managers Asian Finance and Investment Corporation Limited

Baring Securities Ltd

Swiss Bank Corporation Investment Banking

Co-Managers

Banque Indosuez The Development Bank of Singapore Ltd Goldman Sachs International Limited Ssangyong Investment & Securities Co Ltd County NatWest Limited Enskilda Securities Skandinaviska Enskilda Limited

UK COMPANY NEWS

Bibby expands paper side with £13.9m Belgian deal

By Clare Pearson

J BIBBY & Sons, the industrial £2.1m. and agricultural group, is pay-ing £13.9m to acquire Eurofilters, a Belgian company, in a move which creates for its paper and converted products division the first manufactur-

ing facility outside the UK. Eurofilters claims to be Europe's biggest producer of filtration bags for use in a wide range of vacuum cleaning equipment. Its net assets amount to £8.1m and its profit before tax in 1989 was

Bibby's paper and converted products division was at the heart of a group pre-tax profits downturn from £30.18m to £28.64m in the twelve months to end-September. The division made a trading surplus of £1.41m, against £5.41m the pre-

vious year. But Mr Richard Mansell-Jones, chairman, said this had reflected difficulties in passing on to customers increased costs of wood pulp experienced good results.

Eurofilters already buys Ribby's filter papers for conversion. Mr Mansell-Jones said the purchase moved the division not only into Continental Europe but also further downstream in the paper converting

by the paper activities. Converted products had produced

Bibby's other activities, in science products and agriculture, have a wide geographical

Gencor spends £51m raising stake in TransAtlantic

By Philip Gawith in Johannesburg

GENBEL, the investment arm of Gencor, the South African mining and industrial, group has purchased a 6.3 per cent stake in TransAtlantic Holdings, the investment company 48 per cent owned by Liberty Life, the South African life

Genbel paid R341m (£51.28m or £4 each) for their 12.83m convertible preference shares. The shares are convertible into ordinary shares on a one-for-one basis at Genbel's discre-

The sale of certain foreign holdings helped to finance the transaction.

Gencor has held a 8.3 per

cent stake in TransAtlantic since 1982 and Mr Derek Keys, the executive chairman, sits on TransAtlantic board.

Mr Anton Botha, Genbel's managing director, said the move was strategic. "In one move we have streamlined our offshore investment portfolio by acquiring a meaningful minority stake in an international investment company with international growth

TransAtlantic's major invest ments are a 71 per cent stake in Capital & Counties, the property developer and 28.9 per cent in Sun Life, the insurance

The TransAtlantic holding represents about 9.6 per cent of Genbel's net assets. Some of its other large holdings are in Engen and Impala Platinum, both subsidiaries of Gencor, and in Iscor, the recently-priva-tised South African iron and steel corporation. Genbel's cur-rent market capitalisation is about R3.5bn.

Mr Botha added that the investment was of sufficient size and potential to serve as the nucleus for further international expansion. He added that the move could improve Genbel's credit rating with the international banking commu-

Guinness chairman attacks increase in Scotch whisky duty

THE GOVERNMENT'S Budget increase in Scotch whisky duty comes under sharp attack today from Mr Anthony Tennant, chairman of Guinness.

"No other trading nation I know of discriminates so markedly against one of its own spe-cial interests," Mr Tennant says in the company's annual

report.
His comments follow further strong criticism of the 10 per cent increase in duty from Mr David Connell, chairman of the Scotch Whisky Association (SWA), in Glasgow

yesterday.

Mr Connell said the Budget "had done much to handicap and nothing to help" the indus-

Mr Termant, taking up the theme, points out that the British consumer now pays 69 percent of the the average price of a bottle of Scotch in tax. "In the other 11 of the top 12 mars." the other 11 of the top 12 mar-kets, tax averages 37 per

The UK - through Guinness, Grand Metropolitan and Allied-Lyons - is now the world's largest exporter of

In 1986, the last year for which comprehensive data is available, these exports amounted to \$1.28bn(£75im). Yet both wine and beer, in which Britain has a £500m trade deficit with the rest of the European Community, are more favourably taxed.

Mr Tennant has aiready made it clear that he supports the SWA's call for a revision of excise duties - by stages if necessary - so that all drinks are taxed equally on a unit of

alcohol basis. The issue is assuming greater importance in the context of the current debate on fiscal approximation within

The UK, as a net exporter of spirits, has a special interest in arguing for fairer tax treatment, Mr Tennant believes. But the Budget decision had "sent the wrong signals" to

The EC's current proposals reflect the bias of the wineproducing member states. Spirits would be taxed 13 times as heavily, and beer twice as heavily, as wine in the major-

ity of countries.
"This would be extremely damaging and must be rejected. The adoption of a more equitable structure of taxation in the UK would be both rational and defensible in itself. It would also strengthen the hand of the UK in opposing the Commission's discrimina-

on £495,000, in his annual report also stoutly defends the company's inclusion of acquired brands - currently valued at £1.37bn - in its balance sheet.

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FINANCIAL TIMES

TURKEY

The Financial Times proposes to publish a Survey on the above

24th May 1990

For a full editorial synopsis and advertisement details, please contact:

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Turkey Tel: (1) 1792648/ 1795350, Telex: 27265 CIROTR, Fax: (1) 1641761 FT

or Chris Schaanning in London on

on 071-873 3428 or write to him at: Number One, Southwark Bridge London SE1 9HL.

FINANCIALTIMES

Schlumberger

SCHLUMBERGER FIRST QUARTER EARNINGS UP 56%

New York, New York, April 1990 Schlumberger Limited reported that "across-the-board" improvements in their Olifield Services businesses worldwide helped boost first quarter earnings 56%. Net income in the first quarter was S129 million compared to \$82 million earned in the same period of the previous year. Earnings per share were \$0.54 versus \$0.35. Operating revenue in the first quarter was \$1.22 billion, led by a 16% increase in Oilfield Services; on a comparable basis, adjusted for Measurement & Systems businesses acquired and sold, consolidated revenue was up

Euan Baird, Chairman, stated that, "The much improved results posted by all of our officed operations, including those in North America, strengthen our conviction that we are at the start of an upcycle in the oil industry. We believe that increased global demand coupled with OPEC's commitment to price stability in the long term should assure continued oil exploration and development worldwide."

Saird noted that, "Our utility metering businesses, Schlumberger Industries, had another solid and strong first

U.S. \$100,000,000



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Interest Amount per U.S. \$100,000 Note due

U.S. \$4,511.45 23rd October 1990

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STA ROCCONI MARKETING TO INDUSTRY IN THE USSR The Leningrad international Management institute is a graduate achool of business set up jointly by Bocconi University of Milan and Leningrad LIMI now offers a series of seminars for both the Soviet and Western business communities, such as: DOING BUSINESS WITH THE USSR, EAST-WEST JOINT VENTURES ACCOUNTING SYSTEMS, FAIRS & EXHIBITIONS MANAGEMENT, and so on. LIMI's next seminar, MARKETING TO INDUSTRY IN THE USSR, will take place in Leningrad from the 18th to the 22nd of June 1990. It will focus on the following issues:



	LIM
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FINANCIALTIMES SURVEY



The authority of the new Government is under threat from internal squabbles and its handling of a

series of issues that displayed a lack of direction. The anxieties over troubles in Kashmir have added to the nation's growing crisis of identity. David Housego reports

Identity crisis takes its toll

INDIA embarked after November's general election on what has been only its second experiment with non-Congress rule with that mixture of expectation and apprehension that comes with large change. Almost five months into the government of Prime Minister Singh, the authority of his new administration has been eroded both by its own internal quarrels and its failure to give

a firm direction to policy.
On issues such as the handling of the separatist movements in Kashmir and the Punjab — which have emerged as traumas that Indians feel challenge their very identity as a nation — the Government has so changed tack in its approach that it seems unsure what policy to follow.

TURKEY

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Over economic policy, the Government's approach is one of gradual change in line with the minimum common programme agreed among the coalition partners. Liberalisation will thus continue at a pace that seems likely to postpone India's closer integration into a more competitive world economy.

The Government has mbarked on a series of hivetigations into allegations of "kickbacks" paid in contracts with multinationals — both in an effort to nail former Prime
Minister Rajiv Gandhi and to
diminish the level of corruption in public life that quantitatively increased under his
premiership. But their own
moral credentials have been
undermined by failing to disown the eldest son of Mr Devi
Lal, the deputy Prime Minister,
for widespread ballot rigging in
Haryana, and for appointing
chief ministers in other states
with dublous records.

with dubious records.

The administration has been ridiculed for the humiliating drama of Mr Lai's resignation from the administration — precipitating the Government's first political crisis in March—and then for his withdrawal of it. It came under attack over its incompetency in allowing the initial constitutional bill for maintaining President's rule in the Punjab to fall in the

The list is long but can be extended. It has mishandled the grounding of the Airbus A320 fleet after the crash in Bangalore; it allowed telecommunications policy to be disrupted by a quarrel over personalities; and it took on the Reliance group in a battle for control of Lersen and Toubro, the high technology engineering company, without fully forseeing the consequences.

Some of these mistakes can be put down to inexperience and to the difficulties that stem from being a minority administration. Mr Singh's Janata Del party has only 141 seats in a Parliament of 543 – and it is an amalgam of disparate groups

rate groups.

It is thus dependent for support in the Parliament on the right-wing Hindu radical BJP party, which has 88 seats, and the Marxists, with 44 seats. As issues have emerged on which these two movements hold widely divergent views so the Government has found itself under contradictory pressures.

Much of the Government's

Much of the Government's difficulties are due to the leadership style of Mr Singh. In opposition his success was m holding the disparate opposition forces together against Mr Gandhi by allowing conflicts to run their course until they lost momentum. Mr Singh has continued the same tactic in government, seeking to build a consensus before announcing policy. The result has been an impression of indecisiveness and drift.

and drift.
Indicative of this is that he initially established a small ministorial team with a view to broadening it — prefarably by drawing in Congress defectors or representatives from the other parties supporting him in the Assembly. But by mid-April he had still not enlarged his cabinet, with the result that ministers were overloaded with business. Decisions were consequently delayed.

If Mr Singh faced a strong opposition, he would by now he in trouble. But the November general election left a frag-

If Mr Singh faced a strong opposition, he would by now be in trouble. But the November general election left a fragmented political landscape in which none of the leading players yet command a dominant position and in which new alliances and alignments to provide for a stahler long term majority have yet to be formed. The election confirmed what seems increasingly like a long-term erosion of the Congrass party, which has been decimated in the north while remaining a force in the south, which in political terms is outside the main fulcrum of power. Mr Gandhi has shown little sign of how he intends to reinvigorate the party and its flagging local organisation. He was saved as party leader by the lack of any credible chal-

The main new factor on the Indian political horizon is the rise of the BJP, which has extended its base from two seats in the last Parliament to 88 in the new Lok Sahha and to participation in the government of several states. It voices a militant Hindu nationalism that has grown in strength from what is seen as the government's weakness in the handling of Kashmir and the Punjab and from Hindu fears



he crowded streets of old Debi

INDIA

over rising Hindu-Moslem tensions. The BJP is still mainly a northern, party but clearly alms to be a national party and

to take power in Delhi.

This fragmentation in the political landscape that emerged in November is an inevitable reaction to the strains that have surfaced from maintaining an over-centralised system of government in a country of over 800m people. Resentment over this has made itself felt in a host of regional ethnic, linguistic, tribal and religious movements that gather strength by reflecting local discontents.

local discontents.

The break-up of the old order—symbolised by the almost uninterrupted Congress rule since independence—when there is no clear idea of when new political majorities will emerge and how the balance will be struck between regional and central power is one of the factors behind India's some of fragility. Old insecurities that date back to Partition and reflect fears of the union falling apart have come to the surface again.

several states. It voices are again.

In Hindu nationalism is grown in strength hat is seen as the govit's weakness in the gof Kashmir and the and from Hindu fears in the nerve of India's foundation

as a secular state embracing Hindus and Moslems. It is in this sense that the insurgency in Kashmir by Mos-

lem separatists faces india with what is arguably its greatest challenge since independence — with a real risk that the increasingly bellicose rhetoric between India and Pakistan over the issue could carry the two countries to war.

The problem of Kashmir is made worse by its bordering the Punjab where the Sikh secessionist movement has intensified its terrorist campaign. Fears that a newly elected state assembly in the Punjab could declare its support for Khalistan led the Gov-

ernment this month to postpone elections again and prolong President's rule.

This sense of insecurity has all-but stalled attempts to improve relations with India's neighbours — one of the priorities of this government. Relations with Pakistan are at their lowest ebb for many years. Relations with other neighbours ander from uncertainties

over India's use of force.

The sense of fragility, and an anxiety not to exacerbate social and economic strains, has put the brakes on economic liberalisation, and on the shift to a more outward-

looking India — both of these having been marked trends in the 1980s. India has all the potential for achieving even higher economic growth than the record rise of over 6 per cent of GDP that it realised over the last five years. In particular it has the potential for higher rates of manufacturing growth by exploiting its competitive advantages to gain a larger share of world markets.

ments, larger fiscal deficits, growing inflationary pressures and wider disparities of wealth. The new government wants to avoid such tensions or the difficulties and pain that could come from more rapid adjustment. It wants to achieve change by proceeding slowly, by combining growth with equity, and by maintaining as

But the high growth of the 1980s was accompanied by

strains over the balance of pay

wide a consensus as possible. The next few months will see whether Mr Singh can establish a firmer foothold or continue to tread on moving sands. At the very least the political parties that support him in the Assembly still see more gain from his continued survival than in bringing him down. But once the prospect of elections emerges it is likely to be each man for himself.

IN THIS SURVEY Economy; E Profile: Davi Lai E Maga Agriculture; Proffle: Unit Trust of India; E Capital Markets Page 4 ■ Car Industry; ■ Profile: Garment Exporter: ■ Petrochemicals Page 5 Foreign trade US \$ billion Imports Trade defic

Area (km sq)	lamaswa	my Venk	796.64 ataramai 1 Rupe
ECONOMY	sverage 1979-89	1986	1989
Total GNP (US\$)		269,697	267.251
Real GNP growth		8.6	5.0
GNP per capita		300	
Current Account Balance		-5,500	
Total reserves minus gold		4,899	
External Debt		48,302	
Debt service/exports		24.4%	
Exports Incl. non-factor sves		14,000	
imports incl. non-factor svcs		19.250	
Trade Balance		-5,250	
Export Volume growth rate		-11.6%	
Inflation	9.3	7.3	7.0%
SOCIETY	averege 1980-67	1968	198
Life expectancy	58		
Population growth rate	2.1%		

GDP & industrial output 10% Industrial output 1981/2 82/3 83/4 84/5 85/6 86/7 87/8 88/9

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RHIZIC - GC-7 --

Cautious approach emerges

emerged in the Budget and statement of trade policy in March, it revealed an administration more cautious about the pace of economic change than its predecessor. It had been bound by the political imperatives of holding together a weak and disparate coalition. and the need to avoid policies that might exacerbate social or economic strains.

The trend towards liberalisation will be slower and with a change of emphasis. The main priority will be on improving internal competition by simplifying and reducing industrial licencing procedures. Mr V.P. Singh, the Prime Minister has said he still considers controls necessary. Emphasis will shift from physical to fiscal and financial controls, to ensure the channelling of a larger share of resources to priority

areas, such as agriculture. On foreign investment – where the previous govern-ment had seemed likely to move towards allowing foreigners to hold a majority stake in an Indian company – the new administration has confirmed that the normal ceiling for foreigners equity participation will be 40 per cent. Within this ceiling the Government intends to provide almost automatic approval for foreigners vishing to invest. Foreigners will be barred from certain areas such as soft drinks where the Government sees no need

for foreign investment.
The Prime Minister has given no sign that he favours privatisation of India's sub-stantial public sector. But the Government is encouraging the private sector to invest in the electric power industry and other sectors previously reserved to the state.

reserved to the state.

On the opening up of the economy towards foreign competition by reducing tariffs, the Prime Minister has said that the process would be gradual and in line with the improvement in India's balance of payments. India bas one of the ments. India has one of the highest rates of industrial pro-tection in the world with effective tariff rates of between 80

and 120 per cent. Fears that the Government, under pressure from the left, would re-impose import con-trols appear unfounded. Car manufacturers have had their foreign exchange allocation for imported components cut by 15 per cent and the Government foreign exchange content of

The Budget was equally timid in its approach to what the Economic Survey (the Finance Ministry's annual

cumulative Budget and current account deficits that have pro-duced an unsustainable build up of debt.

Mr Madhu Dandavate, the Finance Minister, plans a reduction in the fiscal deficit from about 8.5 per cent of gross domestic product in 1988-89 to 7.5 per cent. This would reduce inflationary pressures and help to shelve the issue of high public sector borrowing squeezing increasing the pressure for higher interest rates.

This preference for a "soft landing" is reflected in the decision not to return to the IMF to borrow the \$2bn-3bn India needs to bolster foreign exchange reserves. The fund would have pressed for a sharper deflation of demand and further moves on tariff reform, privatisation, and foreign investment to improve India's competitiveness and get

higher long-term growth.
Officials argued that India need not take the more radical steps forced on countries like Mexico and Brazil whose economic situation is much worse. They said that this Government is averse to taking risks over high growth policies that could exacerbate social and economic strains.

Over the medium term, the Government's intention is to move towards internal deregulation and to open the economy up to foreign competition. In terms of the fiscal and external balance, the aim is to reduce the Budget deficit to 6 per cent over three or four years and from just under 3 per cent of GDP to 1 per cent.

Mr Raymond Barre, the for-mer French Prime Minister highlighted the danger of this gradualist approach at the recent World Economic Forum meeting on India. Countries

Indian economy has been growing at its fastest rate since independence. Real GDP, dur-ing the five-year-plan which per cent per annum. Most of the new growth came from the industrial sector with manufacturing output rising by over 8 per cent a year.
Growth in agriculture was

tural changes and resist the stimulus that comes from maktionally competitive take the risk of failing behind, he said. The Budget decisions were taken against the background that over the last five years the

slower prompting the new administration to announce a shift in resources towards agri-

The other side of the coin to this fast growth has been the surge in the fiscal and current

The Budget deficit has jumped from 5-6 per cent of GDP in the late 1970s to over 8 per cent in recent years. Interest payments on the government's domestic debt have doubled in the decade to 4 per cent of GDP - absorbing a growing proportion of current expenditure and accounting for the declining share of capital spending in government out-

lays.

The current account deficit has risen from an average of 1.3 per cent of GDP in the first half of the 1980's to 2.5 per cent over recent years. India's external debt has thus risen to well over \$60bn.

In one way the Government's position in framing the Budget was more difficult than these long trends suggest. After a record in growth in real GDP of 10.6 per cent in 1988.89 as the agricultural sector rebounded in the wake of two years of drought, the economy slowed down in 1989-90 to an estimated increase of 4-4.5 per

The Government's room for further deflating the economy was tempered by the political desire to maintain buoyant growth. In another way, the new administration had its path eased. Partly because of the slow down in the economy and also because of the impact of currency depreciation, the trade deficit had shrunk by 16 per cent in the first nine months of the last financial year. Behind this were slowly

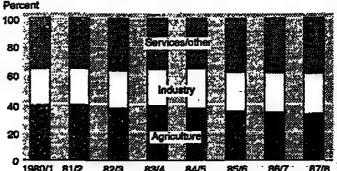
have been growing at an annual rate of 10 per. Within the context of achieving a small reduction in the Budget deficit, the most difficult objective in the Budget is contain-

ing the growth of expenditure to 7 per cent. Additional subsidy payments, the cost of living allowance for state employees and defence could all push spending beyond that rate.

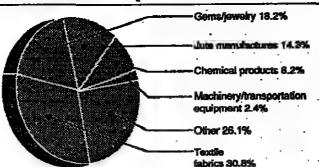
With little room for manoeu vre over spending, the shift in resources to agriculture was modest. The most striking measure was the Rs10bn allocated for debt relief for farmers. This was less than anticipated and relatively small beside the outstanding Rs140bn of rural debt.

On the tax side, the corpo rate sector had expected a sharp increase in new levies. Though companies were asked to pay an additional Rs8bn or 44 per cent of new taxes -this was accompanied by a lowering of corporation tax from 50 to 40 per cent. The additional revenue came from the scrapping of exemptions such as investment allowance.

The Government sees these changes as part of a move moderate tax structure and with the tax base being gradually widened. Like the Budget, the new import-export policy issued at the end of March adopted a gradualist approach. The main emphasis was on ers. The main move in this direction was to allow compaDistribution of GDP

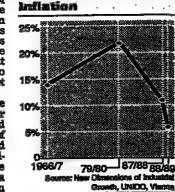


Manufactured exports 1987/88



dispose of the 10-20 per cent of export earnings they are allowed to retain in foreign exchange. In future companies will be allowed to use this "replenishment" allowance either to purchase freely what imports they require or to trade it, thus creating a market

in free foreign exchange Over the long term this type of incentive is no substitute for a macroeconomic policy aimed at reducing the high costs of the Indian economy and improving industry's competitiveness. This remains the surest way of securing a long-term improvement in India's export performance.



krstrial Growth, UNIDO, Vienna

K.K. Sharma on attempts to improve foreign relations

Fence mending is a lengthy job





culture and rural development. | I.K. Gujrai (left) and Prime Minister V.P. Singh

THE National Front government took office with the promise that it would take bold and creative initiatives to weave a new pattern of rela-tionship with our neighbours," raising hopes that a new era would be launched that would end the confrontation with many of them.

The government's foreign policy has not moved quite along these lines. Indeed, Mr V.P. Singh, Prime Minister, has twice spoken to Parliament in the last few weeks about the country's "will and capability" to wage a war with Pakistan. Once again, dark war clouds hover ominously over the sub-

Relations with Pakistan, India's most important neighbour, have worsened and the traditional mutual hostility intensified. One ominous result is that the new government has been forced to reverse Mr Rajiv Gandhi's budgetary cuts on defence expenditure made last year and has raised defence allocations in spite of the effort to curtail the budget-

ary deficit. Mr Singh has spoken of Pakistan's nuclear programme and hinted broadly that India would also have to revise its policy of using nuclear energy for peaceful means if the neigh-bouring country made nuclear bombs. These statements are similar to those made in the

Strains in Indo-Pakistan rela-tions have intensified and the hostile content and tone of exchanges between them remain unchanged. The main reason is the impact of domes-tic events, particularly the secessionist movements in Kashmir and Punjab, on for-

eign policy.

Mr I.K. Gujral, India's Minister for External Affairs, made a brisk start towards carrying out the promises in the elec-tion manifesto. The first few weeks of office of the new gov-ernment witnessed visits by Ministers or special envoys to New Delhi, particularly from Pakistan, Sri Lanka and Bhuranistan, Sri Lanka and Bruttan. Indian officials took up with two of Ms Benazir Bhutto's special envoys what they allege to be Pakistan's support of subversion and rebellion. Their visits coincided with increased violence in Kashmir where militants have launched a violent movement for seces-sion from the Indian union. As the situation in Kashmir

worsened, the statements made by Ministers became more belby Ministers became more belligerent. In the first parliamentary debate on foreign policy earlier this month, Mr Gujral spent nearly half his speech on Pakistan, stating that while India wanted to "keep all channels one" and estite all wanted nels open" and settle all problems through negotiations, "Pakistan cannot take Kashmir by war or subversion in a thousand or million years."

The hopeful part is that both countries remain committed to exchanging official delegations to discuss problems of their internal security, defence, irrigation and trade. But so far, there is no talk of a meeting between Mr Singh and Ms

Relations with Sri Lanka and Nepal, on which Mr Gandhi attracted criticism because of "bullying tactics" have been somewhat better, although the slow pace of the improvement has been due to appreciation of the fact that politicians in power have to deal with realities and do not have the same freedom to speak and act as they did when not in office. Indian troops have finally

been withdrawn from Sri Lanks, ending an unfortunate intervention that has not settled the Tamil issue in the island republic and has left a legacy of suspicion about New Delhi's intentions. The withdrawal was to have coincided with a new treaty of friendship but little progress has been made on finalising an Indian draft submitted some months

Relations with Nepal, on the other hand, seemed to improve when Ministerial-level talks on month ago. But internal events in Nepal, where the Prime Minister and Foreign Minister who negotiated new treaties with India have resigned, have again muddled the picture.

A new relationship will now

have to be forged with the politicians who take power under the constitutional changes envisaged in Nepal. Mr Singh's remarks when the movement for democratic reforms began in Nepal – that "these are internal affairs" of that country, thereby not giving even tacit support to the move-ment's leaders - make the

Sino-Indian relations; on the other hand, appear to be on the mend after nearly four decades of confrontation. The new of confrontation. The new Indian government has pressed ahead with the initiatives taken by Mr Gandhi — who visited Peking late in 1988, the first time an Indian Prime Minister has gone there since the border war of 1962. Recent talks between the Foreign Ministers of both countries have acclaimed by both as here. been acclaimed by both as her-alding a new era in Sino-Indian relationships.

Yet the new government has been criticised by some for pressing ahead with normalisa-tion of relations with China without making progress on resolving the intractable boundary issue over which the two countries fought a short but bloody war in 1962.

The government's critics claim it has collaborated with China to put the border issue aside by assigning it to a slowmoving committee of officials. At the same time, the Government has not been able to clarify what it considers India's role should be in a changing world. It has found mending fences with neighbours a slow-moving and difficult process even though its message is that it is giving priority to this. Indeed, Mr Gandhi has been able to take political advantage by pointing to the new government's sometimes inept han-

dling of foreign policy issues and lack of clarity on India's role. Mr Gandhi preceded Mr Singh with his own delegation to Namibia, for instance. He has also raised embarrassing questions about Mr Singh's soft" attitude towards Pakistan at a time when there is turmoil in Kashmir and Punjab. To many observers, it seems the new government has still to get to grips with foreign PROFILE: Devi Lai

At the centre of a controversy

MR DEVI LAL, deputy Prime Minister, had a large say in the founding of the ruling Janata Party, Yet just over 100 days after the new Indian Govern-ment took office he was instrumental in plunging it into its first serious crisis by submitting his resignation.

In doing so, he underscored the fragility of India's coali-tion. Although the Govern-ment survived the crisis when Mr Lal was persuaded to with-draw his resignation, the scars

draw his resignation, the scars remain and speculation is rife over whether the Janata Dal and the coalition will survive.

Mr Lal is the centre of the controversy. He is big, burly and coarse. He helped to install Mr V.P. Singh as Prime Minister after last November's general elections, rejecting the office after declaring he preferred to be the Janata Dal's "Tan" (elder uncle).

He was then persuaded to join the Cabinet as deputy Prime Minister – and controversies have dogged his actions

remies have dogged his actions and utterances since then. His avuncular image has vanished and been replaced by the belief that he could wreck the party. He is seen as a person who places the interests of his fam-

places the interests of his family above the party's.

The controversies in which Mr Lal is involved began when he named his eldest son, Mr Om Prakash Chauthala, to succeed him as Chief Minister of Haryana, thereby attracting flak for perpetuating a dynastic system. tic syste

tic system.

Mr Chauthala has been a grasping and unprincipled politician. His dictatorial approach to Haryana politics earned him new enemies. Allegations that Mr Chauthala rigged a by election in the Meham constituency to ensure his election to the Haryana legislature—the election commission—has ordered another poli—have led to demands that he should quit the chief ministership of Haryana. Haryana.

Haryana.

Mr Lal says the attack on his son is part of a conspiracy against himself and has reacted like an angry bulk accusing the "capitalists and Press barons" of conspiring to remove him from politics because they opposed his demands for giving priority to agricultural development.

themselves with the capital in the important Hind speakist conspiracy. Crude off the ing best.

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air balleader such fait Mr. Ait.

Shigh, Minister for Hadustry the Harvane state elections in
and also a farmer's leader, 1987 and the campaign against
have led to quarrels within the
party. The party is widely He was largely instrumental in
viewed as being divided and setting the opposition to units,
riven by factionalism.

The controversies in the process.

Over the son binks out Mr Lai.

Some of the shine on Mr.

was said to be one of the most agreeable men in Indian poli-

ata Dal is due to Mr Lal. He is responsible for the controve sial decision to waive farmer

funds for development to agriculture and the party's commitment to give priority to the interests of the rural popula-

Mr Lal is accused of using the farmers' card to make political capital and make unwarranted demands. In his resignation letter, for instance, he asked that 50 per cent of judges, state governors and ambassadors be appointed from rural areas. This has led to the charge that he is making an aggressive claim to be the sole representative of the vast majority of the Indian people and thus claim for himself and

~ 74

his family an exalted position in the country's politics. In the process, he has deni-grated others by accusing them of belonging to elitist sections. These accusations have created the impression that the leaders of the Janata Dal are at logger-



Devi Lai, deputy PM

heads, each striving to topple the other. Mr Lal is very much in the business of toppling peo-ple he considers his enemies. Opinion is divided on how powerful Mr Lal is. He belongs to Haryana, a small state which has 10 members in par-liament. Against this Mr Lal played a prominent role in selecting Janata Dai candi-dates for the parliamentary elections and many of them are indepted to him. Although his own following in the party is said to be no more than 20 members of parliament, he is agricultural development supported by such influential He has charged senior lead chief ministers as Mr Mulayam ers in the Isnata Dal of allying Singh Yaday of Uttar Pradesh themselves with the capital in the important Hindi-speak-

Lal's popularity has rubbed off since he tried to save his son's political career, a stone on which many Indian politicians have stumbled. Whether he will split the Janata Dal in the process remains to be seen!

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The Trust's consistent performance has helped it win

1988-89.

the confidence of Unit-holders everywhere. The proof of this can be seen in the way the number of Unit-holding accounts has been growing every year - from 2 million in 1986-87 to nearly 6 million today. To its ever-widening family of Unit-holders, the Trust offers a

to suit varying needs. On the global front, Unit Trust has introduced the India Fund. Listed on the London Stock Exchange, it provides foreigners and non-resident Indians the opportunity to invest in securities in the Indian capital market. The Fund raised £ 75 million at the time of launch and, recently,

package of saving schemes

gnis issue.
Unit Trust also introduced the OF INDIA India Growth Fund. Listed on the (A Public Sector Financial Institution)

a further £ 40 million through a

New York Stock Exchange, it mobilised \$ 60 million. The Trust's investible funds

have crossed £5.57 billion, while reserves and provisions have. crossed £ 731 million. Over the years, Unit Trust's activities have widened

considerably. But its inspiration is still contained in its simple Sanskrit motto ... "Wise investment leads to

prosperity.

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When demand is Monsoon-driven

Cally Spell ne

A December 1989 white paper by the economic advisory council predicted not only rising inflation and a balance of payments crisis but also a "substantial deceleration" in

industrial growth -According to the council, the rate of industrial growth which had averaged over 8 per cent in the past five years had fallen to 3.8 per cent. However, in spite of the dire predictions of an imminent slowdown in the economy with its natural corollary of reduced demand, most smen do not appear to be unduly worried.

Their optimism is reflected in the level of investments. Few companies appear to be scaling down their investment programmes. Grasim Industries, the Bombay-based viscose staple fibre producer, remains committed to its ambitious Rs24bn expansion and diversification programme. Bajaj Auto, Pune based scooter manufacturer, is planning to increase its two-wheeler capac ity from 1m units to 1.75m units by 1995 at an investment cost of Rs3bn

According to Dr. Manu Shroff, a leading economist, the reason for such optimism

IN 1980, nobody had heard of

them. Today, they tower over

their respective businesses. They are a whole new genera-

tion of entrepreneurs, men without inherited money who are India's new millionaires.

With backgrounds as diverse

as their means of reaching the top, the only thing they share is success. Typical of the tribe in many ways is Mr Dilip Kul-karni. His father earned

Rs3,000 a month working for the Modi group. The son drives to work in a Mercedes-Benz

where he runs the Rs330m Sky-

pak group, perhaps the largest courier service in India.

money, but convinced that an employer would always pay him less than his worth, Mr

Kulkarni in 1981 gambled on a hunch. DHL had just come to

india. He managed to bring

DHL and Skypak together. Within months he had built a

network of offices in 130 Indian

cities backed by the interna-

Out of work and out of

7: -3. INCOME

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THE NATIONAL Front smong indian businessmen is government had barely been in not hard to find. It is a questifice when they blew the tion of demand. We had two bad monsoons and it has taken been smooth time years for demand to nearly two years for demand to build up again. The economy had slowed down, but now I think industrial growth will pick up once again," he says, Mr Amitav Ghosh, deputy

governor of the Reserve Bank of India, agrees. "There is no need for pessimism about a general slide in the rate of industrial production. Though others have accelerated."

The contours of industrial growth may be significantly different from earlier years. In order to fortify its lean store of foreign exchange, the Govern-ment is exerting a steady pressure on business houses to develop India's export potential Responding to the direc-tive, some Indian companies are looking beyond simple export drives and portraying India as a global source for a wide spectrum of products and

Among them are Tata Consultancy Services (TCS), a leading software development company, and Proctor and Gamble, the US consumer products group. Mr Y.P. Sahni, senior vice president of TCS, explaining IBM's decision to source software development in India.

tional partner. As sales took

off, the Skypak group diversified into air freight, travel and tourism and it is planning to build a five-star hotel in Goa.

Mr Kulkarni made it to the

services - with some success.

says: "In terms of human resources, we have a large, well-educated pool which is easily trainable. We have an excellent cost structure."

Mr Gurucharan Das, managing director of Proctor and Gamble India, says: "We are the lowest cost producer for Clearasil and the Vicks range of cold remedies, cheaper than our Mexico operations. We are trying to convince Proctor and Gamble of the logic of sourcing their global requirements for these products in India. My objective is to get 1 per cent of the company's worldwide turn-over sourced from India."

If he succeeds, exports would

raise Proctor and Gamble's India's sales by nearly Rs3bn. At another level, the National Front administration has repeatedly stressed that it would like to initiate large structural changes in industrial growth. One suggested change is a shift away from "white" goods such as videos and washing

machines towards labour-gen-erating "essential wage goods" such as soaps, handlooms and Professor Madhu Dandavat Finance Minister says: "We ail want growth but the question has to be asked, growth for whom? Earlier, the entire per-

spective was for elitish

growth, a trickle-down theory. Research (Nozer) unveiled the "The gains of growth will impressive purchasing power percolate down and the people at the grassroots level should of rural consumers.

wait with begging bowls to

gain the fruits of growth. This is not consistent with the prin-

ciple of equity. In our model it

may sometimes appear that numerically the rate of growth

is slow but the pattern will be

such as to remove structural inbalances and we will try to

Keeping in mind the new government's priorities, some businessmen are re-thinking their manufacturing strategy. Mr Siddharth Shriram, an

aggressive Delhi-based busi-

nessman with interests in

sugar, refrigeration, and fertil-isers says: "A businessman cannot formulate a business

strategy according to which government is in power.

Today, I would not start mak-ing jacuzzis but I would con-sider expanding my sugar

Over the next few years, the

focus may shift towards rural

markets. Until now most con-

sumer goods companies used to direct their marketing and

distribution efforts almost

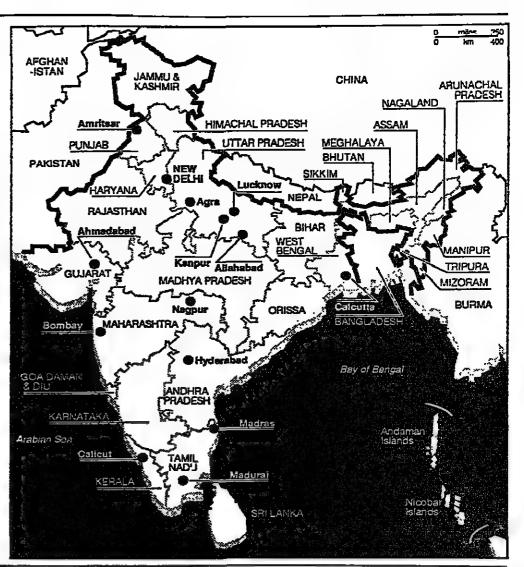
entirely at urban markets. A recent study by the National

Council for Applied Economic

According to the Neger study, in 1987-88, this section of society bought a lion's share of consumer durables such as bicycles (75 per cent), radios (72 per cent), watches (71 per cent), motorcycles (45 per cent) as well as substantial numbers of television sets (27 per cent). Television, in fact, is playing ensure that vast sections of society can take advantage of the gains of growth."

a large role in opening up the rural market. Through televi-sion, we have a medium to reach this untapped market. Over the past few years, we had noticed that the rural market was expanding, but we felt that a lot of it was for basic goods and that a large percent-age of it was for sales of soaps, toothpastes and bikes. The Ncaer study is quite a sur-prise," says Mr Anil Bhatia, vice president of Hindustan Thompson Associates (HTA),

advertising agency. The opening up of this market of over 600m people would lead to an explosion of industrial activity. But in an economy where mother nature holds sway, it will not be India's sons-of-the soil politicians, erudite economists, clever managers or marketing whiz-kids who will determine demand and industrial growth



A new generation of wealthy entrepreneurs is emerging

The elusive secret of success

Mr Knikarni made it to the front pages before he was 30 years old. In comparison, Mr Brijamohan Lall's progress might appear more pedestrian. Before 1985, few outside the industry had beard of his Municipal group. jal group. It was only when his flagship company, Hero Cycles, peddled its way into the Guiness Book World Records as the world's biggest cycle manufac-turer did the Indian financial press sit up and take notice of the Ludhiana-based 13-com-pany group. But if the media was alow to recognise the Munjal group's ma Honda was not. group's many talents,

A year earlier, the Japanese car company linked with this apparent non-entity in a joint venture to produce motor-cycles in India. No mean achievement for a group which started out in India in 1956 as a facility to manufacture 25 bicycles a day.

Production has climbed to

over 1,000 bikes per hour. Beyond the stunning performance in bicycles is a transport empire churning out motorcycles, mopeds, twowheeler components, castings and bicycle machinery closely monitored by the 16 working members of Ludhiana's first

Mr Lell's triumph in north-ern india is matched by Dr Pra-thape Reddy in healthcare in the south. In a country where hospitals are generally govern-ment bureaucracies providing

Reddy's Apollo group has opened up a frontier based on the US principle that hospitals should be efficient public lim-ited corporate entities paying dividends to shareholders.

When Dr Reddy first put for-ward this idea, investors laughed him out of their offices. Seven years after his first multi-speciality hospital in Madras opened in 1983, prominent industrialists such as Mr Vijay Mallya are queuing up to sign partnerships

He has two hospitals under his microscope, a third about to start operations and 14 more on the drawing board. Mr Ramesh Chauhan saw a niche in soft drinks when

Coca-Cola left India in 1977. He stepped into their shoes and created an empire which controls 70 per cent of the Indian cola market, 80 per cent of the lemonade market and 55 per cent of the orange market. Turnover of his secretive and closely held Parle group is esti-

mated to be over Rs2.5bn. It was not an easy battle Every bottler in the country as well as a few large business houses started manufacturing their own brands. One by one Mr Chauhan took them on, making his Parle group the winner.

There is no common surefire formula for success. Each has reached the top ent, technique and tenacity. In the case of the Skypak group, Mr Kulkarni added a new dimension to the courier business: inter-city clearances for the banking sector. A sim-

ple idea and highly profitable, Mr Lall's secret lies in manufacturing bicycles cheaper than the competition. The Munjal group's cost-cutting effectiveness is unparalleled: inventory levels are the lowest in the industry while productivity is among the highest. Along with pared manufacturing costs are low interest costs making the company a high-octane fuel for

the group's expansion.

For Mr Chauhan and the Parie group, it is the creation

network of franchises, a dash of political patronage and marketing know how.

In the case of the Apollo group, it is Dr Reddy's ability

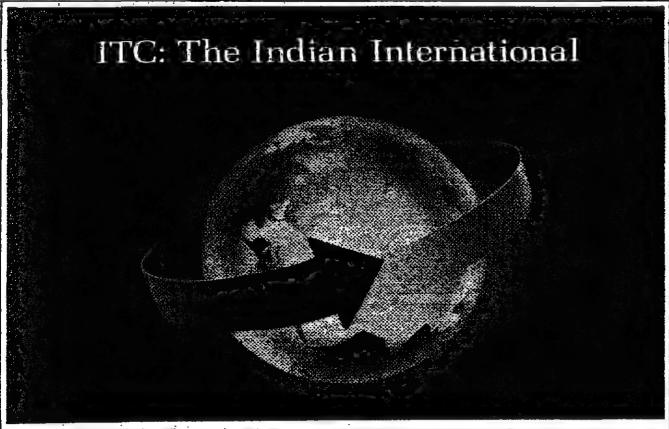
to give a practical twist to the Asian tradition of the rich giving almost to the poor enabling him to tap large business houses into providing him with venture capital. At the same time his willingness to keep nearly 30 per cent of a hospital's capacity for the free treatment of the poorer sections of society has endeared him to the Government - and led to the waiving of import and cus-toms duties for hospital equip-

ment, making healthy bottom lines even sturdier. Juxtaposed in front of India's older groups, these new groups may be small beer. As they expand their fieldoms at breath-taking speed, can the youngsters cope with the inevi-table problems of transition? Some have had a few hicrups.

latest motorcycle have not met targets. Will Dr Reddy be able to raise the Rs4.75bn cash infusion he needs? Once Pepsi-Cola goes into production this sum-mer, will Parle be able to main-tain its cool or will it wilt under the US group's blaze? As Skypak diversifies, will Mr Kuikarni be able to organise a

with managerial requirements? All four are fearfully conscious of the pitfalls of rapid growth. However, they do enjoy certain advantages. Hard workers, they pay meticulous attention to detail. The Apollo group apart, most of the others are closely held. They do not have to make showy dividend pay-outs and can reinvest profits into the business.

In spite of the doubts, this new tribe of go-getters are going to play large roles in several crucial sectors of the economy over the next few years.



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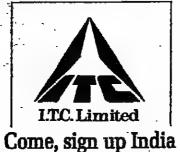
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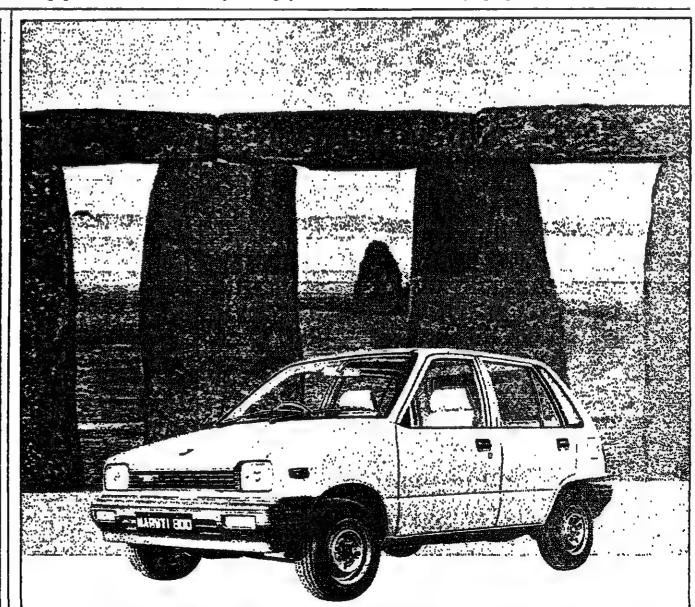
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K.K. Sharma examines strategies to increase agricultural output

A rural revolution takes shape

of the possibility of "quantum jumps" in production in the next few years, suggesting that another green revolution of the kind that changed the country's agricultural picture in the 1960s is in the offing.

The first "quantum jump" has taken place. Foodgrain production in 1989-90 is estimated at a record 174m tonnes after reaching 172m tonnes in 1988-89. This is a substantial rise from the previous peak of 152.4m tonnes in 1983-84 and shows that the stagnation in

A new strategy is being worked out by planners and agriculture officials to raise production further. They expect this will get a fillip from the priority given to agriculture and rural development by the new Government.

That this is to be taken seriously was borne out by the first budget of the Government in which 49 per cent of the total expenditure for development has been earmarked for agriculture. This is in line with the National Front's commitment to allocate at least 50 per cent of the funds to agricultural development.

Planners concede, however, that the increased allocations have been made to existing schemes since the time available to the Government was too short to finalise a new strategy or formulate new schemes. The way for the higher allocations was paved by the previous Government's action plan for foodgrain production worked out in 1988 to tackle the drought of 1987-88, the worst in memory.

The monsoon was unusually good in 1988 and 1989 when production picked up by more than 20 per cent to reach record levels. Since Indian agriculture is dependent on rains, the main ingredient of the action plan is on increasing the country's irrigation poten-tial. The emphasis is on tap-ping the Indo-Gangetic belt, considered a "huge bowl of underground water."

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If plans succeed, 400,000 to 600,000 shallow tubewells will be drilled in this region each year. This has been found to be the most effective way of increasing irrigation in the short term since shallow tubewells are quick-yielding and labour intensive.

Other elements of the action plan include the spread of high-yielding varieties of seeds to more areas through the Government's seed programme that envisages some imports of necessary varieties and an increase in fertiliser consumption through incentives.

Efforts are being made to reclaim saline and waste land so that the total arable area increases. This is paying off. Yet imbalances in Indian agriculture hold up progress in many parts of the country. Low production areas have a high potential but many of them have not been well managed or exploited. More importantly, the rural employment situation has become a matter

of serious concern, especially

as there is a declining employment potential in better-developed areas. Officials concede that in

spite of the reasonably good agricultural performance, the incomes of large sections of farmers continue to be low and their capacity to invest money and adopt modern science and technology is small. Ironically, it is only because of the low incomes that the country is self-sufficient in food production. Thirty per cent of the population lives below the pov-erty line. If their purchasing power filled their stomachs, the country would have to

The Government wants to improve the lot of the farmers and the rural poor even though independent economists think this will remain difficult unless the rapid growth of the popula-

The Government will need to evolve policies and implement schemes that will generate employment for 15m to 17m people in rural areas. If productivity is to improve and foodgrain output to rise to an average of 7m tonnes (from 3.7m a year) in areas of low produc-tion, the Government will need to improve the management of natural resources as well as tackle the problem of declining land holding size.

cent annual rise over the next five years and 3.5 per cent in the last five years of the cen-tury (in place of the existing 2.5 per cent). Should this succeed, annual foodgrain pro-duction will be 210m tonnes in

One of the Government's main policies is to use the instrument of support prices to influence both production and cropping patterns. It plans a national agricultural policy (an industrial policy was implemented in 1962 but India has never adopted an agricultural policy) and remunerative prices for farmers are certain

to be a component.

The 1988-89 level of production of 172m tonnes will be used as the base for a 4.4 per



Farmer tries to till the dried fields of Chemboda village in Hassanpur

by the end of the century. The strategy worked out in 1988 remains and there will be continued emphasis on increasing use of fertilisers, high-yielding varieties of seeds, harnessing ground water through tubewells and increased flow of short-term credit.

A related strategy given

importance by the previous Government included food-processing industries so that agri-cultural produce could be used for value addition as well as increase rural employment.

not yet given the same emphasis to this and there has been talk of doing away with the

new Ministry of Food Process-ing established by Mr Rajiv Gandhi. This has not been implemented but the attack by some Ministers on the Pepsico. project in Punjab, involving establishing of food processing plants partly for export, has raised questions about the Government's intentions.

R. C. Murthy looks at capital markets and the banking sector

Still undecided about autonomy

A COMBINATION of events has led to a lull on India's capital market which last year saw activity reach a record Rs79.41bn. Business ebbed in the first quarter of 1990 and no large flotations are expected in

the next few weeks.

The National Front administration has proposed reforms to eliminate the distortions seen last year and to enhance investor protection. Norms for fixing premiums for rights issues of equity and convertible debentures have been tightened making many proposals unattractive.

The capital market reform is a sequel to the "November debacle" when several large convertible desenture tesues ran into trouble, unable to muster the required investor support following a change in the mood of the market after general elections were called in November and the opposition National Front gained popular-

ity. The capital market wilted under the weight of six large issues that hit the market in a span of 10 weeks from mid-Sep-tember. Subscriptions received by four large convertibles launched for a combined Re24.31bn were frozen by the new administration. Stateowned financial institutions intervened at the insistance of the Government to monitor the projects and release cash in phases from the frozen funds. The volume of under sub

became known after several months as merchant bankers who first claimed overwhelm-ing response, started making alternative arrangements to make up for the shortfall.

There were many omissions and commissions by companies at the height of capital market activity between September and November to which the Gandhi administration turned a blind eye but the present Government feels strongly about them.

Deviations from the norm ranged from failure to mention in the prospectus the project for which finance was sought to dropping clauses from the prospectus to refund the subresponse fell below three-quarters of the capital issue.

The new administration has tightened the capital issue.

norms. Appraisal by state-owned financial institutions of large projects (investments of more than Rs500m) is manda-tory and allotment of abares of debentures cannot be made unless a minimum 90 per cent is received in cash as subscrip-tions from the public or by way of underwriting.

The capital market is con-fused over the moves of finan-

cial institutions to oust the Ambanis family of Reliance Industries from Larsen and Toubro which came to the Reli-ance fold two years ago. The Ambanis, which had an excelscriptions to the capital issues administration, have soured

commercial paper issues are not additional to what commerregime, which wants to restore the status quo. The incident is expected to cast a shadow on the capital market and only Ball 197m has been moddlised in the first quarter of this year. Analysts say the initiative for the Ambani move came from New Delhi, although it

talks of autonomy for financial institutions. The Gandhi administration never recogadministration never recog-nised autonomy, whose resto-ration would probably be after clearing what the Government considers to be the Augean sta-bles at Larsen and Toubro. If there is a change of guard at New Delhi before the clearing operation is finished, the autonomy of the financial

institutions will be a casualty. The capital market has been enlarged by the introduction of commercial paper, a new abort-term savings instrument, early this year. With the suc-cessful test marketing of commercial papers by some leading companies the terms are being liberalised to allow other com-

cial banks give as working capital to companies. The stipulation of the Reserve Bank of India, the central bank, is that banks should cut working capital credit corresponding to commercial paper issue:

Companies have an incentive to launch commercial paper, whose cost is 145-15 per cent against a minimum 16 pe cent charged by commercial banks. The success of commer cial paper would result in ero-sion of the low profitability of banks. Only 15 per cent of the Rs920bn-worth of bank loans is lent profitably. The loss of blue-chip business would aggravate their problems. The World Bank, in a classi-

fied report, is said to have warned the indian Government of a danger to the banking sys-tem unless commercial banks are allowed to earn enough to build reserves after providing fully for bad debts. Most banks are making losses but their balance sheets

are window-dressed. The poor profits arise from the pattern of resources deployment, which includes the investment of 20 per cent of the Rs1,620bn-worth of deposits in low-yield-ing government securities. Of the Rs965bn foan portfolio, 40 per cent is earmanked for agri-culture and sections of society identified by the Governmen such as small businesses, at subsidised interest rates.

The banking system, com-prising the State Bank of India and 22 state-owned banks, has another large problem. The National Front government has to set aside a staggering Rs140bn to fulfil its poll pledge to write off small bank loans of up to Rs.10,000 made to farm-

ers and other rural people.

The administration diluted the please by providing Rs10bn in this year's budget and making ineligible the so-called willful defaulters from loan write-off. Moves are a foot to scrap bank secrecy legislation and make balance sheets of banks more transparent. The administration has strengthened the capital structure of banks to provide a cushion for the mounting bad debts and prepare them for enhanced competition from foreign banks in the next decade when the services sector is to be

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PROFILE: Unit Trust of India

The leader that turned follower

UNIT TRUST of India, the country's top savings institu-tion with investments exceeding Rs150bn has reached its zenith, catapulted by Mr Mano-har Pherwani, who was its

chairman until March 30.

Mr Pherwani was asked to quit the job for his alleged role in facilitating the takeover of Larsen and Toubro, a leading engineering company, by Reli-ance Industries, headed by Mr Dhirubhai Ambani, two years ago with the blessings of the Rajiv Gandhi administration.

UTI sold 3.9m Larsen shares to Reliance, which gave a foot-hold to the Ambanis family. The unit trust dominates the mutual funds scene, all of which are state-owned, and efforts by the private sector to break in have not succeeded. The new administration may not come to grips with the issue for quite some time.

UTI was content with double digit growth until Mr Pherwani became chairman six years ago. He introduced more than a score of savings schemes to meet the needs of a wide spectrum of investors.

The engine for UTI growth was income-tax concessions. Unit sales trebled in two years to Rs87.6bn for the year ended June 1989 and are expected to reach Rs100bn this year. Total investible funds of the unit trust should reach Rs150hn.

Three years ago UTI launched, with Merrill Lynch, the India Fund, a Guernseybased sterling-denominated fund to attract expatriate Indian money. It now has a premium on the London stock exchange. Then came the Indian Growth Fund in the US.

Mr Pherwani says that success lies in offering a product that investors want. The flotation of Master Share, a growth-oriented mutual fund. three years ago attracted overwhelming response - Rs2.5bn in subscriptions for an issue expected to mobilise Rs500m.

The new chairman of UTI is Dr S.A. Dave, who continues to hold dual charge of the Securities and Exchange Board of India, the counterpart of the Securities and Exchange Com-Securities and Exchange Com-mission in the US. But it is yet to get legal recognition although legislation to achieve this is to be introduced in the current session of parliament.

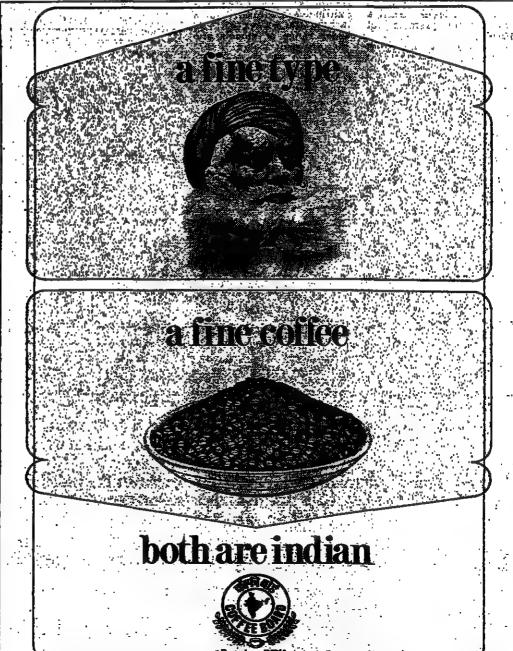
The rapid growth UII is a matter of envy for many state-owned institutions. But for the changes in the income-tax laws, which places other mutual funds on a par with UTI, the growth rate would have continued to outstrip the Life Insurance Corporation, the state-owned life insurance monopoly that began a decade

Analysts say the days ahead are crucial for UTL SBI Capital Markets and Canbank Financial Services, subsidiaries of state-owned commercial banks, launched mutual funds last year and Life Insurance Corporation has entered the fray. At least two other comme

cial banks - Bank of India and Bank of Baroda - and the General Insurance Corporation of India are to launch mutual funds over the next few weeks with others in the pipeli

The growth of mutual funds has broken the UTI monopoly and the age of income-tax rebate is gone, offering several alternatives to investors. The Government's budget for the current fiscal year has diluted the income-tax concessions to corporate investors as well making UTI's main savings scheme less attractive.

UTI will be a low-profile group, and is expected to be a follower rather than a leader. It is to abandon the policy of active market intervention but will continue to expand its overseas operations to bring in foreign investment, which is preferred to foreign currency loans. But the competition at home is expected to intensify.



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Low volumes, high hopes



The Maruti 800 production line at its car plant near Gurgaon: the company is likely to be allowed to double its capacity

INDIAN motorists are enjoying some of the benefits of more internal competition within the domestic automobile industry. But the sector still remains a monument to the errors of the import substitution policies

that India is abandoning.
Volumes are low; total production of the three producers is no more than 160,000 units per year. Economies of scale are difficult to achieve while the components industry is small and insufficiently attentive to quality.

Protection is high — the duty on imported cars is between 250-350 per cent. On per cent of the retail price which means that a car is still a luxury product. The price of the Maruti 1000cc, based on the Suzuki Esteem and to be launched in October, is Rs320,000 (\$18,800).

Purchasers anxious to jump the queue and obtain early delivery could expect to pay a black market premium of

The industry had feared that the new Government would place further restrictions on its tors' import of components was restricted by 15 per cent this year as a way of accelerating indigenous production. But the fears proved largely unfounded with the Government giving the go-shead in what was seen as a test case for Maruti-to produce its 1000cc version.

Maruti seems likely to be allowed to double its capacity
- in what will be its largest investment to date - to 250,000. But while India's twowheeler industry of scooters and motorbikes is increasingly internationally competitive, the car industry remains largely outside the global pro-duction chain.

India's engineering industry has failed to reap the advan-tages in terms of cost, quality and foreign exchange earnings that come from "sourcing" components or finished prod-

ucts for global producers. Manufacturers are making some changes. Hindustan Motors (which last year produced 29,326 cars) is updating the Ambassador, the Indian version of the Morris Oxford,

which has remained unchanged for over 40 years.

A luxury version of the
Ambassador with improved dashboard, upholstery and other features, named the Regent, is being brought out in October. The Ambassador is being given improved steering and suspension. A new engine, which Ricardo of the UK has designed to give 20 per cent more fuel efficiency and power, will be fitted from the middle of next year. The climax of these changes is to be a remo-delling of the exterior of the Ambassador to dispel its

antique appearance. At the upper and of the market, Hindustan Motors has introduced the Contessa, a 1800cc saloon. It currently produces up to 5,000 a year and hopes to expand to 10,000 over the next three years. Hindustan Motors has made

losses of more than Ra90m over the last two years, with the automobile division a large contributor, but it believes it is turning the corner with its wider range of models and improved performance. Output has remained stagnant at 25,000-80,000 units for the last few years. Mr S.L. Bhatter, president of the company which is part of the C.K. Birla group, sees it increasing by 8-10 per cent a year.

Installed capacity is about 60,000. Production was hit last year by shortages of parts for the Contessa and by delays in eliveries of imported steel.

Maruti (output 117,000 units syear), the company started by Mr Sanjay Gandhi, younger son of the former Prime Minister in which Suzuki of Japan has a 40 per cent stake, wants to double annual capacity to 250,000 units. It has discussed its Rs3.5bn expansion plan with the Government which seems ready to accept it if the company covers its foreign

exchange costs.

To build up its foreign exchange earnings, Maruti has been selling its 800cc car based on an older version of the Suzuki Alto in France through Chardonnet, the French distributors. Since December it has exported 2,800 cars to France where it has gained a good reception.

Maruti estimates that its foreign exchange earnings will, climb from \$22m this year to between \$40m-60m in 1990-1991. Maruti, as a state-owned producar, has no competitor for its popular 800cc car. It is the only producer allowed to attack the middle range market with what amounts to a Japanese vehicle – the Suzuki Esteem.

Maruti plans to manufacture 25,000 of these in the first 12 months. More than 250,000 peo-ple each paid a deposit of Rs100,000 to obtain a place in the quane — meaning the vehicle was 10 times oversub-scribed even though the high layel of demand reflected a good deal of speculation good deal of speculation.

If it can double its output to 250,000 Maruti believes it can obtain better quality and lower costs from its component sup-pliers. One of Maruti's prob-lems has been that they have been unwilling to make the necessary investments on the basis of Maruti's current out-

Production at Maruti's plant outside Delhi has suffered both from shortages of deliveries and defects in components.

Premier Automobiles, India's third large car manufacturer en making subs investments and seen its share of the car market climbing at the expense of Hindustan Motors. It had an output of 42,000 units last year and it made 44 per cent more cars than Hindustan Motors. This compared with a 20 per cent

lead five years ago. Premier's market lies between the Maruti 800 and the Ambassador which sells mainly as an official car or a taxi. It has updated its basic Padmini model and added a host of new features. It also introduced in 1986 the 118E with a Nissan engine - which will face competition from the Maruti 1000cc.

Premier is upgrading its manufacturing facilities and introducing a new high speed diesel engine developed by Fra-tali Negri Machines, the Italian company, for use mainly by taxis. It is also planning to expand output on the assumption that it can fight Maruti's challenge while gaining ground from Hindustan Motors. MR A.K. Puri, the portly chairman of the flourishing

trip to Australia in 1972. He had been making ready-made garments for India with annual sales worth a mere Rs30,000 but on his first Australian sales trip he won orders for Rs10m. He decided then that his future lay in exports rather than in domes-

Exports and steadily built up the company until it is now one of the three largest gar-ments manufacturer-exporters

Mohan Exports sells ready-made fashion and industrial garments not only to Australia but also to the US, European countries and those in the Middle East. Mr Puri's business expanded so fast that he brought in his brothers to help him. Together, they run a factory equipped with modern machines in New Delhi's Okhla Industrial Estate that employs

ries owned by others carry out orders for Mohan Exports under close supervision of its quality controllers. The com-pany is now building its sec-oud large factory in Bangalore in the south Indian state of Karnataka and has plans to expand further. So profitable has the garments exports business been for Mr Puri that he has now diversified his business and set up four other divisions for engineering and other exports. Clearly, Mr Puri is now in the big league and has plans for further expansion. Mohan Exports is one of India's largest garments

Mohan Exports of New Delhi, has not looked back since a

He established Mohan in India. The company's gar-ments exports last year were worth a record Rs160rn.

PROFILE: Garment exporter

Money in fashion

mated to have earned Rs24bn in foreign exchange in 1989-90. It consists of about 8,000 other small and large manufacturerexporters who also deal in the country's fastest-growing exports - many of them using antiquated pedal sewing

Such is the rise in garments exports that the Apparel Export Promotion Council expects foreign exchange earnings to reach Rs38.13bn in 1990-91, Rs 46.9bn in 1991-92, Rs 57.69bn in 1992-93, Rs 70.96bn in 1993-94 and as much as Rs87.28bn in 1994-95, the last year of India's eighth Five Much will, of course, depend

on the quotas available under the Multi-Fibre Agreement (MFA) being negotiated because the bulk of the exports are to countries which have fixed quotas for such imports. This means that any sub-stantial hike in exports can be

achieved only after either the textile trade reverts to the mainstream of the General Agreement on Tariffs and Trade (GATT) system or when a more liberal framework is available with the renewal of the MFA.

Mr Puri is fed up with quo-tas and strongly recommends that the Indian Government should use its bargaining post-tion arising out of large engineering and other imports from the US and Europe to extract larger quotas. "We extract larger quotas. keep having orders cancelled

simply because no quotas are available," he complains, Mohan Exports has found it

has had to diversify into industrial garments like overalls and uniforms to keep its factories fully employed.

Industrial garments are in

demand in non-quota countries (Mr Puri's main customers are in the Middle East) as well as quota countries. Industrial gar-ments can also take advantage economies of scale unlike fashion garments which are made in much smaller quantities. Yet Mohan Exports main

exports remain fashion gar-ments which account for 75 per cent of its turnover. Mr Puri thinks that relatively bigger companies such as his have a distinct advantage over India's thousands of smaller units since they can afford to have their own design office that "enables us to remain ahead all the time. We have Ameri-can, French, German and Italian designers who are always bringing out something new in designs and colours."

Mr Puri agrees that India has cashed in on the cotton look in the world but its main advantage lies in its cheap labour. I pay no more than £30 a month to my workers and can make a blouse that can sell for £3. Western labour costs are so high that they cannot compete with us," he says. He is strongly of the view that the West should bow out of the textile business alto-

more competitive rivals in the Third World. Mr Puri, like the Apparel Export Promotion Council, feels that India must start using blended fabrics and not just cotton if its garments

exports are to grow faster.

For this, he wants textile mills to modernise quickly since the quality of the yarn they supply is not good enough. Mr Puri feels that the entire textile industry needs to

endre textule industry needs to be modernised with govern-ment help if India is to cash in on the popularity of clothing. "It must give financial assis-tance, provide duty free raw materials and other incentives so that the synthetic yarn is provided at internationally competitive prices". Mr Pur

says.
The Apparel Export Promo-tion Council endorses these views. It feels government help is essential if the full potential of the garments industry is to be realised. It says some basic requirements are diversification of the fabric base, strengthening of manufacturing facilities, promoting manpower development and training and providing fiscal incentives and infrastructural

support.
Mr Purl is strongly of the view that India should rely increasingly on larger companies such as Mohan Exports rather than on thousands of units based on obsolete pedal sewing machines. There is also scope for diversification.

K.K. Sharma

PETROCHEMICALS

Held back by indecision

PROGRESS IN the industry seems to be on hold; some 40 vears after the Government announced that India would build large complexes in differ-ent parts of the country, devel-opment has moved at a snail's

In 1948, the Government's industrial policy resolution stressed that mineral oil would be a "first category industry." Since then 12 refineries with a total capacity of 45.4m tonnes per annum (mtpa) have been built but it remains insufficient to bridge the gap between demand and supply.

India imports one third of her requirements of petroleum

products at a cost of Rs42.45bn, largely because of a lack of refining capacity. The situation in the fertiliser industry is somewhat better but is not

near fixed targets. Of the six 726,000 tonnes annum (tpa) fertiliser plants planned alongside the 1,730km Hazira-Bijaipur-Jagdishpur (HBJ) gas pipeline, only three have gone into commercial

The HBJ pipeline which snakes its way through four states, for example, was built to distribute 29m cubic metres of gas to eight fertiliser plants, four power plants, a large pet-rochemical complex, and a liq-uid petroleum gas bottling

It was commissioned in mid-1968 but only three fartiliser plants and one power plant are using the gas from the pipe-line. The other facilities have not yet been built.

At Nagothane (Maharashtra), the opposite is true. The plant is ready but not the pipe-line. Construction of the Rs13.9bn Maharashtra complex is complete but unaccountable delays are stalling its commis-

sioning by over a year.

Such dilatory and erratic growth in petrochemical pro-duction is inevitably translat-ing into unsatisfied domestic

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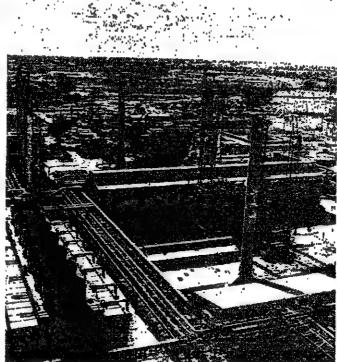
specific requirements.

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healthy economy and a better

quality of life for the Indian

food production, medicine,



Fertiliser plant at Kanpur, Uttar Pradesh

demand which has to be met

by imports.
India is importing some 400,000 tpa of various polymers or almost 50 per cent of her requirements. Given India's balance of payments problems, such imports are ill-affordable. At the same time, available At the same time, available resources are being wasted. At Assam, gas has been flared since 1966. The Department of Petroleum rejuctantly acknowledged that nearly 38 per cent of India's production of gas is flared annually.

Mr M.S. Gurupadaswamy, the new union Minister for

the new union Minister for Petroleum and Chemicals, is quick to defend the national front administration. "This Government is extremely concerned about the flaring of gas. We are giving top priority to developing uses for the gas,"

he says.
As the debate continues on how India should use her oil and gas resources, plans for various complexes gather dust, while costs rise. A case in point is Nocil, a part of the highly-diversified Rs10.6bn Arvind Mafatlal group. In 1986, the Bombay-based ethylene manufacturer applied for gov-ernment permission to expand its naphtha cracker from 75,000 tpa to 300,000 tpa. More than three years later, one branch of the Government allotted Nocil a letter of intent but another branch withheld environmen-

tal clearances.

The Nocil case is a classic example of the malaise which dogs the Indian petrochemical industry. A large cause of delays is lobbying and counter-lobying by the private sec-tor which has suddenly discov-ered that the petrochemical industry is profitable.

As one after another of the existing petrochemical companies announced good results, many industrialists started lobbying for a licence.

By late 1986 the great race for the allotment of naphtha crackers along with their downstream units had begun. In October 1989, it appeared as if the race had been run. As

Mr Rajiv Gandhi, the former Prime Minister, layed foundation stones, the winners appeared to be Indian Petro-chemicals and Gas Authority of India from the public sector, and Mr Dhirubhai Ambani, Mr R.P. Goenka and Mr Vijaymallya in the private sector.

Post-election events however have shown how realpolitik can re-arrange the best laid plans of politicians, civil servants and industrialists. Overnight, yesterday's approvals became today's snubs and no-one is quite sure what is going to happen in the Indian petrochemical industry over

the next few months.

The only certainty is that change is inevitable and the remodeling process is already evident. Mr R.P. Goenka, a former winner, had to surrender his letter of intent for the important Haldia petrochemi-cals to Mr Darbari Seth of the

Tata group.

Mr C.K. Birla, a former loser, now possesses a potentially profitable letter of intent for downstream facilities at the Auraiya complex (Uttar Pra-desh). But will the private sec-tor be able to put up these large complexes? And will it be able to meet the primary constraint of finance?

Raising rupee funds in India's discerning capital mar-kets will be difficult given the long gestation period of petrochemical complexes and the impossibility of assuring quick returns to investors. Success will depend some

what on the Indian promoter's ability to attract an established and reliable foreign collabora-tor who can bring in the technology and help arrange the foreign component of the project's investment requirements. Hampered by its own financial crunch, the public sector has no option but to rely on

the private sector. It may well be another few years before the lights turn green for the petrochemical industry.

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A new Indian chapter begins.

MAGROCHEMICALS EL CADALYSTE IN EXPLOSIVES EL PERTILIZERS EL PIRAGE EL PHARMACEUTICALS EL RUBBER CHEMICALS EL RESEARCH & DEVELOPMENT IN SPECIALTY CHEMICALS

Major calls for restraint at EC farm price talks

By Tim Dickson in Brussels

MR JOHN MAJOR, the British Chancellor of the Exchequer, yesterday urged his fellow Finance Ministers to put the brakes on accelerating European Community farm spend-

His plea for restraint – made in Luxembourg at a routine Council of Ministers meet-ing - demonstrated the depth of Britain's concern that some member states were now trying to loosen the price disci-plines painfully imposed on the Common Agricultural Policy in

The involvement of senior British Ministers in the EC farm debate was routine during the budget crises of the mid 1980s - but it is something that has not happened in recent years.

Mr Major's remarks - which

were welcomed by the European Commission – are intended to influence EC Farm Ministers who gather tomorrow in another attempt to reach a compromise on this year's price proposals. Last month's meeting was abandoned after three days of nego-tiations failed to find an agree-ment and smid signs that several countries were deter-mined to win further conces-

sions for their producers.
The British Chancellor pointed out that as far as Britain was concerned the final package offered by the Com-mission — involving spending an extra Eculbn (£740m) in 1991 - was already quite generous enough. It added, he claims, an extra Ecu600m to what was originally proposed

in the Brussels package.

EC Finance Ministers, he added, should not only be concerned at the budgetary impact of any further spending on the sector, they should bear in mind that this will send the wrong signals to EC farmers.

On the issue of the CAP sta-

bilisers, set in place in 1988, Mr Major gave strong backing to the arguments of Mr Raymond MacSharry, the EC Farm Com-missioner. Mr MacSharry has insisted that any cuts in the co-responsibility levy (or production tax) on cereal producers should be offset by equivalent reductions in the level of guaranteed prices.
His final point underlined the importance of the current

international trade negotia-tions known as the Uruguay Round, especially those that relate to agriculture. Mr Major reminded his colleagues that

the Community's position was for a short-term freeze on price support followed by a "sub-stantive and progressive" reduction in agricultural subsidies. He said that the EC would be undermined if anything was done to reduce the impact of the stabiliser price cuts and wondered how the the EC's international trading partners would reconcile the EC's negotiating position with the spending of an additional Eculba in

• The US and the Europe Community agreed to hold meetings of farm officials every two weeks from now on to narrow their differences over agricultural trade reform in the context of the Uruguay Round of the General Agree ment on Tariffs and Trade, Mr Clayton Yeutter, the US Agri-culture Secretary said yester-day, reports Reuter from Washington.

The agreement to hold the meetings was reached at a discussion between Mr Yeutter, Ms Carla Hills, the Trade Representative, and visiting senior EC officiality

He said the working level meetings would be held from now until the end of the Uru-

Sweden plans reform cushion

By Robert Taylor in Stockholm

THE SWEDISH Government plans to provide SKr13.6bn (£1.35bn) in financial aid for the country's farmers to ease their adjustment to the deregulation of agricultural prices. Deregulation is due to begin on July 1 next year and the aid will be available over the five-

year transition period.

The latest change, which will end the system of export subsidies for disposing of Sweden's agricultural surpluses, is part of a wider government strategy to discourage over-production. It is estimated that 500,000 hectares will be taken out of production as a result of the planned reform out of the total of 2.9m hectares covered by arable land.

The Ministry of Agriculture said that the main impact of the proposed changes would be to make Swedish agriculture much more sensitive to consumer demand and to help in reducing the cost of food, which remains among the highest in the industrialised

"Consumer choice will deter-mine production," said Mr Matts Heistrom, the Agriculture Minister, yesterday. But he added: "I cannot guarantee food will become cheaper."

Ministers believe that in future food prices will not have

Government has no plans at the moment to abolish the the moment to abolish the existing import levy system, so it seems unlikely there will be any substantial drop in food costs. During the past decade food prices have risen much faster in Sweden than in other countries and about 20 per cent of the total Swedish household



Matta Hellstrom: "I cannot guarantee food will become

budget now goes on food.

The Government has admitted that in the short term the new policy will reduce the income of careal producers as production is brought more to rise any faster than other into balance with demand. It is goods and services, but the also estimated that there will

be a cut of about 12,000 in the 100,000-strong farming community — but the Ministry of Agriculture says it believes this can be compensated for by the creation of alternative forms of employment in the countryside as a result of a more dynamic regional policy and the encouragement of new forms of energy, such as those based on biotechnology, as

protection measures.

Over the past few weeks the ruling Social Democrats have sought to achieve a broad political consensus for their new agricultural policy. But yester-day the country's influential farmers' lobby reacted angrily to the proposals and promised to fight strongly against

However, the Social Demo-crats are determined to begin the phased withdrawal of the system of income support and price regulation that has underpinned Swedish agriculture since the 1930s.

The Ministry of Agriculture said yesterday that the proposed reforms were heavily influenced by demands for liberalisation from the General Agreement on Tariffs and Trade in the present Uruguay round and discussions between the European Community and the European Free Trade Asso-

Pork belly prices rise sharply in Chicago

By Barbara Dury in

THE PRICES of pork bellies THE PRICES of pork belies rose substantially yesterday morning on the Chicago Mercantile Exchange as traders adjusted to tighter supplies. Belly prices hit their 200 point daily movement limit in early trading for the May and July contracts, which both rose to 64.22 cents a lh.

The market's bullishness

The market's bullishness stemmed from a cold storage report by the US Department of Agriculture released after the close of trade last Friday. The report said that as of March 31 there were 97.53m lb March 31 there were 97.53m in of bellies in cold storage, whereas analysts predictions had averaged about 100.4m lb. "The numbers were much hower than what the trade was looking for," said Mr Bob Price, a livestock analyst with Cargill Investor Services. While it was unclear

While it was unclear whether hellies would remain at their trading limit or come down later in the day, it was expected that they would show

expected that they would show a good gain.

The strength of posk bellies also pulled up live hog prices by 60 to 70 points in a largely technical rally. The rise was also in part a reflection of the cash market, where the three largest packers, trying to keep their ercess kill capacity from growing, were competing for hogs. Processors were paying up to a dollar more a cwt.

Slaughter levels are lower this year. Figures for last

this year. Figures for last week showed hog slaughter-ings down 12.5 per cent com-

ings down 12.5 per cent compared with a year ago.

"There's lots of strong user interest and it's a pretty good hedge," said Mr Dale Benson, a livestock analyst with Dean Witter Reynolds. "Tremendous export demand" for pack was tightening supplies and higher cattle prices was also a contributing factor.

Near record high cattle prices last week were also near record high cattle prices last week were also related to good export demand during the first quarter, according to Mr Benson. But cattle prices were expected to edge lower following another USDA report last Friday that said the number of cattle in 12

said the number of cattle in 13 key states on feedlots was 10.1m, the highest level since 10.1m, the highest level since 1978.

The number of young cattle placed on feedlots in seven major ranch states fell just 4 per cent in March compared with a year ago instead of the 10 per cent drop that the market had anticipated.

Analysts expected hog and pork belly prices to continue to move up because slaughter levels would continue to be light. Mr Price said, "Hog inventoxies are down and we

inventories are down and we see any sign of them coming back up soon."

₹/tonne

Bernard Simon on the latest beneficiaries of green consumerism this year are reflected in a sharp fall in forward prices to about C\$300 (£160m) a tonne Canadian prairies are crossing fingers that

Lecrossing fingers that they will be next to benefit in a hig way from the growing consumer concern about health and the environment.

Used in its long-fibre form for linen and as a short fibre for flaxseed or linseed oil, flax is staging a remarkable comeback, which ranges from the growing popularity of linoleum floor coverings to research into

flow coverings to research into its nutritional qualities. Last week BASF, the Ger-On the other hand, the numman chemicals group, unveiled a new printing ink which replaces part of the traditional petroleum distillate content with more environmentally acceptable linseed oil. And Cargill, the US agri-business group, is about to launch a new coatings product with a substantial linseed oil content. All this activity is especially

All this activity is especially good news for farmers on the Canadian prairies. With an average crop of 755,000 tonnes between 1984 and 1988, Canada is by far the world's biggest producer of short-fibre flax, accounting for about half of total world exports. According to Statistics Canada, drought forced production down to 373,000 tonnes in the season to ease cycle."

For the time being, flax's advance is tied most closely to the recent revival of limiteum 373,000 tonnes in the season to July 31, 1999. But Mr Garvin Hanley, chairman of the Flax Council of Canada and himself a flax farmer in Saskatchewan, predicts an increase of more than a third in next month's spring plantings to about 2.2m Expectations of a bigger eron

for October delivery, compared with the present spot price of about CM00 a toma.

Healthier outlook for flax growers

If the rosy predictions of some of those in the industry come true flax could be one of the stars of soft commodity markets in the 1930s. "We see farm-gate prices being quite good next year," Mr Hanley

On the other hand, the number of growers also appears to be increasing, and not only because of its expanding endusea. Flax has gained recognition as a good rotational crop, especially in the light of the diseases and weed problems which have plagued rapeseed production recently. Mr Hanley notes that "rather than quit offseeds, many farmers have turned to flaxeed for a year or two to try and break the disease cycle."

the recent revival of liminsum flooring, which not long ago was decided as the cheap and ugly predecessor of vinyi and ceramic tiles. Mr David Muncey, linoleum marketing manager at Forbo Nahrn in Kirkcaldy, Scotland, forecasts that demand for linoleum will double over the next decade from the present market of 20m to 22m sq ft a year. Sales are stready roughly twice the level to which they sank at the nadir of the market in the late 1970s.

Forbo Naim is one of a handful of linoleum flooring produc-ers — and the only one in Britain — to survive the shakeout of the 1970s. The other two major producers are The Netherlands' Forbo-Krom-menie and DLW of West Ger-

many.
One sign of the stigma that used to be attached to linoleum is that the Scottish and Dutch companies' parent, Forbo of Switzerland, changed its name from Continental Linoleum Union, DLW used to be known by its full name, Deutsche Linoleum-Werke. One Scot remembers being told by her parents on train trips in the 1950s to close the window whenever the train passed the foul-smelling plant at Kirk-caldy.

caldy.
"We're still minnows compured to the world vinyl and carpet industries," Mr Muncey-says. But he adds that "we're becoming a significant con-sumer of linesed oil."

Mr Muncey says that the most promising markets for lineleum are in environmen-

tally conscious societies like The Netherlands, Scandinavia The Netherlands, Scandinavia and West Germany, Several hospitals in these countries, as well as Canada, have installed linoleum flooring.

"In the US, you have to build the market from scratch, whereas in Europe you have a base you can build on," he mother.

On the miritional front, the

universities in Canada and the US await results of several experiments now under way. What has been discovered so far is that flasseed oil is a rich plant source of Omega 3 fatty acids, which appears to give it some of the blood fat lowering properties of fish. As a soluble fibre, flax also appears to slow down digestion of carbohy-drates. But the tangible benefits, if any, have yet to be

"We don't have enough hard "We don't have enough hard data to go on, beyond saying that flax in general does the same thing as oat bran," says Dr Stephen Cunnane, assistant professor of nutritional sciences at the University of Toronto. He adds that a four-week study he has just completed on people with his blood fat levels was inconclusive. Another project will be started within the next few months.

months.
Researchers at North Dakota Researchers at North Parous State University are about half-way through a similar project to determine the effects of the Omega 3 fatty acids in flaxsed on about 45 people who are fed freshly ground flaxsed in muf-

"Flax needs a little more marketing, and we're trying to get some science into the marketing," Dr Cunnane says. One of these putting marketing before science is a baker in Wisconsin, who adds brown, ground flaxseeds to many of the products which he distributes to saveral hundred retail utes to several hundred retail

Set-aside seen having limited impact

By Bridget Bloom, Agriculture Correspondent

Community's scheme to take land out of cereal production is unlikely to cut estimated total output of 170m tonnes this year by more than 1m tonnes, Agra Europe, the independent Brussels-based weekly

believes.
According to recent provisional figures from the Commission, fewer than 500,000 hectares have been taken out of production under the set-aside scheme which pays farm-era to leave land fallow for five on the Commission's assumption that only the most marginal land has been put into the scheme, and that yields would therefore be only two tonnes a hectars, the scheme will have a negligible effect on this year's harvest, Agra Europe says.

Agra Europe says.

let-aside was introduced less
year in an effort to cut back
cereal surpluses. West Gerwhich pays farmers the highest premiums -accounts for just under 50 per

cent of the total lend removed from cultivation with Britain's 140,000 hectares accounting for just over a fifth. Raly (91,600 ha) Spain (34,200 ha) and France (15,700 ha) follow. Greece has not submitted figures while Denmark has so far fathed to get phrimmentary approval for the scheme.

Britain has protested to the Soviet Union over Moscow's decision to prohibit imports from Britain of live cattle, sheep, goals, hoving samen and

embryos as well as all beef and sheepment and milk products.
The ban, believed to have taken effect late last month, stemmed from the prevalence in the UK of bovine spongiform encephalogathy, or "mad cow disease". Ministry of Agricul-ture officials said.

Officials said trade with the Soviet Union in the affected products was small, but Mr Keith Meldrum, the chief veterinary officer, had written to his Soviet counterpart protesting

Return of tight aluminium market forecast

By Kenneth Gooding, Mining Correspondent

IT WOULD not take a very marked acceleration in demand for primary alumin-ium to bring about a return to tight market conditions, says the Anthony Bird consultancy organisation in its latest Alu-

minium Analysis report.

"We expect this will indeed happen in 1991-92," it adds, because stocks are low and rates are only slightly below forecast to grow by a further

their peak.

Bird forecasts that primary aluminium consumption this year will increase by only 1 per cent to 14.64m tonnes compared with growth of more than 4 per cent in 1969. Production will keep pace with a 1.2 per cent increase to 14.275m tonnes following a 4.1 per cent rise in 1969. rise in 1989.

expected to squance by only 2.7

per cent.

Bird says that, then stable exchange; raise, the syerage Metals Week price of all minimm this year will be 784 (Change during week ended lest Friday) cents a lb compared with 92.4 (Change during week ended lest Friday) to the says a lb, rising to 91.2 cents a lb, rising to 91.2 cents in 1992.

. તમેના લોકોના કરો કરો છે. તે કરો કે તે તમે કે તે કે તો કરો કરો છે.

CRUDE OK. (Light) 42,000 US pails S/berrel

n Analysis: quarterly.

48 per cent while production is 2480 a year from Bird Associencected to advance by only 2.7 ates, 198 Richmond Road,

Change du prince		erocece rended lest Friday)
Viceninium Constant		+3,775 to 136,650 +12,325to 95,990 +1,575 to 92,300
Vickel Zino Nn	٠.	+720 to 6,796 -1,975 to 43,975 +806 to 11,860

Chicago

WORLD COMMODITIES PRICES

MARKET REPORT

CRUDE Oil prices in Europe and the US rose yesterday as modest short-covering emerged ahead of next week's Opec meeting. Traders also cited market nervousness after the failed coup in Nigeria. News of the coup boosted London cocoa prices in early trading, but London followed New York down in the afternoon. However, London traders said Industry was underpinning the market and prices were expected to rise again if fresh fundamentals emerged to support bullish sentiment. On the LME copper rose by 12,325 tonnes to 66,900 tonnes - but the increase was widely expected and the prices

London Markets

			Party.	Close	Previous	HIGIVI, OW
SPOT MARKETS			May	337.80	338.80	339.00 337
Crude oil (per barrel FOS)		+ 07 -	Aug	345.00	346.00	348.00 344
Dubai	\$14.95-5.05x	+0.55	Oct	339.20	340.20	340.00 338
Brent Bland	\$17.75-7.80x		Mar	\$14.60	217.00	315.00 314
W.T.I. (1 pm est)	\$19.45-9.46x		Vnå	313.00	315.00	312.80
Oil products	415.45		White	Close	Previous	High/Low
(NWE prompt delivery per s	onne CIF)	+ 01-	Aug	439.5	441.0	440.0 458.
Premium Gasoline	\$215-217	+1	Oct	408.5 397.0	410.0 300.5	410.0 408.
Gas Oll	\$160-161	+1	Mar	394.6	285.6	397.5 398.1 396.0 394.
Heavy Fuel Oil	\$61-83	+4	May	382.1	263.0	392.0
Naphtha	\$165-167				_	
Petroleum Argus Estimales				or: Flavy 16 187 (761)	153 (2844)Id	ats of 50 tor
Other .		+ or -			per tonne):	Aug 2505, (
Gold (per troy oz)	\$376.00	+0.75	Dec 22	77, Mar 22	76, May 2	270
Silver (per troy 02)	509c	+3	Contract of	100L + 1		
Platinum (per troy oz) Palladium (per troy oz)	\$483.0 \$127.50	+ 0.6 -0.85				
Aluminium (free market)	\$1535	+5	-	Leter		
Copper (US Producer)	124c		Jun	17,70		17.79 1
Lead (US Producer)	50c		أيول	17.90		17.96 1
Nickel (free market)	410e	+6	Aug	18.00		18.00 1
Tin (Kuela Lumpur merket)		-0.15	Sep	18.04		18.04
Tin (New York)	301c	-4	IPE Ind	ex 17.26	16.81	
Zine (US Prime Western)	83c		Turnove	er: 4525 (8	162)	
Cazie (live weight)†	112.31p	-2.34*	DAS O	L + Um		
Sheep (dead weight)†	237,27p	-20.6°		Latest	Previous	Ulabő a
Pigs (live weight)†	100.99p	+0.73*				High/Law
London daily sugar (raw)	\$368.01	+2.5	May	158.50	157.00	159.00 156
London daily sugar (white)			Jun	164.75	153.25	155.50 169.
Tate and Lyle export price		+25	İul	154.75	153.00	155.00 153.
			Aug	158.75	155.00	156.75 156
Barley (English feed)	£107.75	-0.75	Sep	159.00	157.00	157.25 155
Malzo (US No. 3 yellow)	£1381		Oct	160.50	157.50	159.00 156.
Wheat (US Dark Northern)	£119y		Nov	161.25	158.00	161.25 158
Rubber (May)♥	58.25o	+0.25	Dec	160.50	160.00	101.00 199
Rubber (Jun) \$	56.75p	+0.25	Jen	160.50	158.50	160.50 159.
Rubber (KL RSS No 1 May)		+0.5	Turnove	r 4886 (50	45)lats of	100 tonnes
Coconut all (Philippmes)5	\$345.0z	+2.5				
Paim Oil (Malaysian)§	\$255.0	+ 5.0	TEA			
Copra (Philippines)§	\$230.0v	-2.5				es on other t
Sovabeans (US)	167.5					hore, report
Cotton "A" index	83.20c	+0.45	Tek B	rokers A	SSOCIATION.	Brighter liqu
Wooltops (64s Super)	5620					dearer rates
						tully firm, P
S a tonne unless otherwise	stated. p-pe	nce/kg.	Coscn	ipilons pro	wed irregu	larly cester

May copper fell through 112 cents a ib early on, but by midsession had recovered. "I still wouldn't rule out the possibility of bouncing back up to 115 or 116 to redefine the uptrend," said one trader. LME nickel prices moved ahead on short-covering, with the premium for cash metal widening to \$382.50 om \$187.50 a tonne on Friday. In New York, orange juice futures were in sharp retreat in early trading on heavy commission house and speculative selling. The spot price fell below the key support level of 190 cents a lb.

Oct	339.20	340.20	340.60 338.00
Mar	\$14.60	217.00	315.00 314.00
Aug	313.00	315.00	312.80
White	Clase	Previous	High/Low
Aug	439.5	441.0	440.0 438.0
Oct	408.5	410.0	410.0 408.0
Deg	397.0	399.5	397.5 398.5
Mar	394.6	285.5	395.0 394.0
May	392.1		392.0
	77, Mar 2 8 CSL + 1	278, May 22	270 \$/b
	Later	nt Previo	us High/Low
Jun	17,70	17.25	17.79 17.37
ايرا	17.90	17.87	17.86 17.65
Aug	18.00		18.00 17.96
Sep	18.04		18.04
IPE Ind	ex 17.26	16.81	
Turnov	er: 4525 (8	3162)	
O CAD	L - UM		\$/1
	Latest	Previous	High/Low
May	158.50	157.00	159.00 156.75
Jun	164.75	153.25	155.50 169.25
Jul	154.75	153.00	155.00 153.25
Aug	158.75	155.00	156.75 158.00
-	19813		IRAN A INDIAN
Seo	159.00	157.00	157.25 155.25
Sep Oct	159.00 160.50	157.00 157.50	157.25 155.25 159.00 156.50
Sep Oct Nov Dec	159.00	157.00	157.25 155.25

East Africans sold well at dearer rates and and declined by 3p to 5p per kilo. Ceylor attracted strong competition with prices often advancing by 5p to 10p following

160.50 158.50 160.50 158.00

Closs Previous High/Low closed fairly steady. On Comex, 880 894 912 926 944 966 973 1900 (明5 新興 (777 885 900 918 084 946 981 911 800 929 911 948 920 958 945 970 953 Turnover: 5721 (10894) total of 10 tonnée ICCO Indicator prices (SDRs per zonne). Delly price for Apr 23 1065.75 (1076.16) 10 day swar-age for Apr 24 1048.34 (1042.28)

Compiled from Reuter

Close Previous High/Low 337.80 338.80 339.00 337.00 346.00 346.00 344.20

96			-		de serviced
_		Cons	Previous	High/Low	
	May	894	696	703 687	
	Jul	665	802	688 686	
У	Nov	708 723	702 716	711 688	
	Jen	734	729	735 730	
	Mar	748	743	749 749	
	Hey	762		763 756	
	BUTTON	HT: 3963 (2	2637) lots d	f & tonnes	
nne)	1CO In	dicator pr	ices (US o	ents per po	and) for
_		.67 (75.49)		(7 4.36). 15 c	-
	_				******
	POIA	083 - 1		2.4.2.2	Ditonne
		Close	Previous	High/Low	
	-	241.0	229.2	250.0 234.0	
	Apr	115.0 166.0	195.6 156.9	115.0 114.0	
_	-				_
	I CUTTON	W 421 (2)	(2) lots of 4	U RAPIGE.	
	SOYAL		AL - BPE		£/tonné
		Close	Previous	Market and	
$\overline{}$		_		High/Low	
	Aug	126.00 126.00	128.50 129.50	126.50 126	
142,					
_	HUTTOW	430 (20	lots of 20	sonnes.	
rrei	PRESCI	IT PUTU	RES - 0F1	R S20/doc	las polist
-		Close	Previous		
_				High/Low	
	Apr May	1395 1350	1400	1410 1395	
	Jul	1206	1340 1195	1360 1345 1214 1206	
	Cot	1298	1296	1315 1306	
	Jan	1330	1313	1340 1330	
	8Fi	1414	1418	1414	
TITLE	Turnovi	357 (6 1	3		
					-
	GRAIN	6 - SFR			€/tonne
	Wheat	Cione	Previous	High/Low	
	Mary	116.10	114.75	118.15 114.	
	Jun	118,10	117.00	118.35117.2	0
	Nov Jan	111.70 115.10	111.00 114.50	111.40	
	Mar	118.40	117.85		
	May	121.55	121.00		
			t	High/Low	_
_	Barley	Close	PERSONAL PROPERTY.		
_	Berley		Previous 400 of		_
_	May	102.50	108.86	103.65 102	10
7					10
7	May Sep Nov Jan	102.50 106.30 110.25 113.40	108.86 105.90 108.90 113.10	103.65 102. 106.10	10
	May Sop Nov	102.50 106.30 110.25	108.86 105.90 108.90	103.65 102. 106.10	10
	May Sep Nov Jan May Turnove	102.50 105.30 110.25 113.40 717.40	108.86 105.90 109.90 113.10 177.15	103.65 102. 106.10 110.25	
.	May Sep Nov Jan May Turnove	102.50 105.30 110.25 113.40 717.40	108.86 105.90 108.90 113.10 117.15	103.65 102. 106.10 110.25	
	May Sep Nov Jan May Turnove	102.50 105.30 110.25 113.40 717.40 r: Wheat v lots of	108.85 105.90 109.90 113.10 177.15 496 (364), I	103.65 102. 106.10 110.25	51).

High/Lon

124.0

123.2 117.0

Previous

124.5

124.0

124.2 123.2 117.0 118.5

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium	98.7% puri	by (\$ per tonne)			Pling turn	over 13,900 lonne
Cests 3 avonths	1540-5 1553-4	1829-2 1535-8	1687 1989/1828	1857-8 1851-2	1550-4	42,220 lots
Copper, &	rade A (£ pe	r tonne)	-		(Ring turn	over 36,150 tonne
Cash 3 months	1578-60 1507-6	1890-2 1516-8	1602/1601 1529/1504	1801-2 1827-6	1507-0	74,418 tota
Leed (£ pe	r tonne)				Ring tur	nover 3,875 tonne
Cesh 3 months	491-8 488-90	495-7 489-90	601/488 463/488	801-2 493-4	455-00	10,384 lots
Michai (S p	er tonne)				Ring tun	nover 2,508 tonne
Cash 3 months	9100-200 8775-800	6800-60 8625-50	9150/8600 8650/8620	8000-25 . 8020-5	8625-80	7,228 lots
Tits (\$ per 1	tome)				Ring to	Proover 435 tonne
Cash 3 months	6450-70 6550-75	6548-50 6635-40	6435 9620/9540	6430-40 9530-80	9540-ÖG	6,250 lots
Zinc, Spec	lel High Gre	(5 per tonne)			Filing aut	nover 6,875 tonee
Cesh 3 months	1639-40 1589-00	1630-ō 1590-2	1655/1640 1695/1685	1063-6 1595-6	1680-2	17,042 tota
LME Clock SPOT: 1.63	ng 1/5 ratio	8 months: 1.6	1106	Emonths: 1.81	74	France Library

	ULLION IIIA				. 14	ew \	fork
Gind (Nea III		_	-	1			
Close	3754-8764		28 i - 2		90	TO 100 Hol	oz.; Sitroy
Opening Morning füt	376 \ -378 \ 375.85		29 4 -2 29,480	304		Close	Previous
Alternoon fi			29.300		Apr Me	378.9	375.6
Day's high	3764-3764						377.5
Day's low	322-322 p				Jun Aug		379.9 354.7
Cotras	\$ price	-	equiv	dant	· Oct		300.5
					Dec	396.9	394.4
Mapteleaf Britannia	384-389 384-389		<u> چنبر</u>		Feb		300.4
US Cagle	384-389		رة موا 14 12-2		Apr		401.2
Angel	386 12-301 1	2	16-230		400	4166	
Krugemand	375-378	2	29-231				
New Sov. Old Sov.	8812-8012		1-55 ¹ 2 1-551 ₂		-	Taking So	broy oz; \$/bro
Noble Plat	489,40-497,		10.15-3	08.90	===		
			200 140-6			Cicee	Previous
Silver fix	p/time oz	U	S cas (Marine .	Арг	490.3	481.5
Spot	310.45	_	00.00		- Jul	494,3	495.5
3 moeths	321.90		16.45		Óct	500.8	4923
& months	834,30		0.20		-lan Apr	606.3 572.3	504.4
12 montes	350.20	60	22.80		- Au	518.5	E10.6
TRADED OF	TICHES				SELV	ER 5,000 t	roy cz; cente
Alumbrium (18.7%) C	alls		Puts	_	Close	Previous
Strike price	S turne May	July	May	July	-		
1460	100	111	1	17	, Apr May	508.3 510.0	509.9 610.8
1550	21	82	21	53	Jun	614.2	616.0
1850	1	22	100	116	Jul	518.4	519.2
O	- 43	alls.		Posta	- Sep	27.2	S27.3
Copper (Gra					Dec	530.3	830.D
2400	151	25.0	6	86	-Jan	543.1	543.6
2500	73	75	26	137	Mer	551.2 558.9	661.7 500.0
2600	25	44	80	204	, May	598.1	200.4
College	- 14	Sen	del	Sep	_		
				<u> </u>	-		1.00
650	<u>63</u>	86	10	29	Sheek	ORANE C	OPPER 35,0
790 750	35 18	58 · 38	41 74	61			_
	100		140	82 .		Closs	Previous
		_	_				
Cocon	Jul	May	Jel	May.	Apr	119.70	118.50
Cocon	Jul 61	May 86	J≝ 28	May	May	112.10	112.55
250 200	61 35	86 60	28 53	27 61	May Jun	112.10 108.90	112.55 109.55
253	61	86	28	37	Migg Jun Jul	112.10 108.90 105.70	112.55 109.55 108.50
850 860 950	81 35 21	86 60 42	28 83 88	37 61 92	May Jun Jul Aug	112.10 109.90 105.79 194.22	112.55 109.55
250 200	61 35	86 60	28 53	27 61	Migg Jun Jul	112.10 108.90 105.70	112.55 109.55 108.50 105.00
850 860 950	81 36 21 • Jun	86 60 42	28 83 88	37 61 92	May Jun Jul Aug Sup	112,10 108,90 105,70 104,20 103,00	112.55 109.55 108.50 105.00 103.60 102.90 102.10
250 959 Breet Credo 1700 1730	61 36 21	86 60 42 Jul	28 53 86	37 61 92 Jul 39	Migg Jun Jul Aug Sup Oct Nov Dec	112,10 108,90 105,70 104,22 103,00 102,10 101,38 100,50	112,55 109,56 105,50 105,60 103,60 102,90 102,10 101,30
850 950 Breet Crede 1700	81 36 21 • Jun	86 60 42	28 53 86 Jun 11	27 61 92 Jul	May Jun Jul Aug Sup Oct Nov	112,10 109,90 105,70 104,22 103,00 102,10 101,38	112.55 109.55 108.50 105.00 103.60 102.90 102.10

ig ternover a,675 loone	Peb	20.18	19.90	20,13 20,04	20.
10,394 lots ·				alle, cents	
ng timover 2,508 tume	-	Lutest	Previous		
0 7,226 lots	-	6360	in the same	BETTY 1	- 000
ling turnover 435 lones	May. Jun.	5206	5086	5215	511
	Jul	5200	5081	12500	610
66,250 lots		15280 5880	6162 5555	5955	SE1
g aimover 6,875 tonee	Jan Peb.	- 8679 ·	5585	. 5880	. 500
	Feb .	5880	5530	9880 ·	- 554
17,042 tota	0000		es:\$/lonni		1
Femme 1986		Close		- High/Lo	_
	Jul	1306 · · ·	. 1815 1337	1320	120
•	Sep .	1341	1951	1348	133
k	Dec	1362	1389	1305	135
	Mey	1390	1307	1377	130
Troy oz.	Jul	1408	1412	-1408	136
wlous High/Low	COFF		Miles of	es la	.: \
.6 S78.0 S75.0	3	Close	Previoui	High/Lo	÷ .:
16 S78.8 579.9 15 0 0 19 563.0 578.0 17 366.0 363.2	Matr	86.08	-95.61	¥97.10	96. U7.
.9 365.6 378.9 17 386.0 365.3	Jul	.98.27	97.57	99.10	97.
S 380 K - 500 K -	. Des	100.15	101.67	100.75 + 102.75	199.
A 397.3 398.1	Mer	104,50	104.25	104.75	104
4 0 807.3 803.1 4 0 8 2 404.5 404.0	-			000 lbe; oe	
M 1 0 0 1 1 0 1 1 1 1 1 1 1 1 1 1 1 1 1	-				
		.Class.	Previous		w e
Stroy oz.	May	15.31	. 15.36 · :15.37 ·	75.32 · · · · · · · · · · · · · · · · · · ·	. 15. 15.
vious High/Low	Out	15.18	15.22	15.22	15.
	Mar	14.34	14.24	14.40 ·	44
.5 406.0 486.0 .5 406.0 486.0		14.00	14.70	14.22	14.
3 5015 4820	·		; cents/lbs		
3 507.0 505.0 4 509.0 500.0		Close.			
8 0 0				Highton	
	Jul	75.31 74.63	74.01 73.56	75.85	74
	Oct	60.35	68.65	74.86 69.40	. 73. 68.
CHARACTERS OF	Dec	95.60	46.20	66.70 -	66.
does High/Low	May	57.40 \$7.50	67.10 67.30	67.45	67.
9 0 0	del	67.50	67.80	.0	9
9 û U 8 \$12.0 508.9	CRAN	خالات الم		CONTR/IDE	
D 0 0 2 \$20.5 514.8		Close	Previous		
3 529.0 824.D	4.2				
D 541.5 536.0	May	189.85	195.50 198.20	193.70 192.20	186 188 184
7. 0. 10. 0. 1	Sep.	184.75	188.10	187.50	- 488 184
6965 SSL5	Nov	170.50	#81.90	181.00	177
61 96 5 5 9 5 6 5	Jac .	172.40	176.00 175.75	174.00	~ 171
	May	171.75	175.25	. 176.00 . 0	170
N THE COOR Sheet and the Court of the Court					. •
R 25,000 lbs; cents/lbs	MEDIC	25		, .	
ious High/Low	REUT	DRS (Base	K Septemb	ser 18 1921	- 10
10 120.40 118.50 55 114.20 171.90 15 110.08 110.00	-	Apr 23	Apr 20		
5 110.00 110.00	1-	1827.6		moth_age	
0 108.15 105.40	I		1918.5	1900.7	2033
10 . · 108.20 . 106.20	1000	JONES (B	ese: Dec. (91 1974 -	1007
0 105.10 103.00 0 103.00 103.00	1	Apr 20	Apr 19	ний адс	yr a
0 0 0	Spot	135,01	135.69	130.57	187.

: .	Litter	Previous	High/Low		SOYA	SHAND 6.0	00 bu mins e	ents/60ib be	achel
Jan .	15.44	. 18,82	19.49	18.96		Close	Previous		
'Jul Aus	19.50	19.55	19.77	19.39	May	· 806/8 ·	804/6	High/Low	BB514
Sep	26.08	19.79	20.05	19.86	Jul	620/4	819/4	609/4 624/4	617/2
Nov	20.15 20.13	19.93	20.19	20.01	Aug	625/6	624/2	829/4	622/0
Dec	-20.12	19.94	20.15	20.01	Sep Nov	626/2 632/0	624/2 630/0	- 629/4	622/0
. Jan -	20.00	19.92	20.10	19.99	Jen	642/0	840/8	634/5	626/4
Peb	20.18	19.90	20,13	20.00	Mar	653/0	849/4	805/0	847/0
		2,000 US ga				·			
· email	Lutest	_	High/Low		BOYA	SEAN OIL	60,000 lbs;	dents/ib	4 1
****		Previous		000	. 1	Çicse	Previous	High/Low	
. May.	5206	\$294 5086	6215	5110	May	23.30	23.08	23,47	22.97
Jul	B200	5081	5200	6106	- Aug	23.48	23.25	. 23.67 .	23.15
A	5250	6162 5555	5955	SE10, 5800	Sep	23.27	23.22 23.10	. 23.65 23.46	23.15 23.00
Jan	- 3579 ·	5585	5980	5056		23.07	22.87	23.25	22,75
Jan Feb.	5000	5530	5660	5595	Dec Jan	22.96 22.80	22.67 22.46	23.07 22.87	\$2.65 \$2.65
6000	A 10 tonn	es;\$/tonnés	13 7 12		Mer	- 22.75	20.46	22.78	22,45
	Close	Previous	High/Low	1.1	-	BEAN MEA	1 400 400	***	
May	1306**	1815	1320	1225	SOTA		L 100 tone;		
JUL Base	1341	1337	1336	1316		Close	Previous	High/Low	
Dec	1362	1369	1348	1354	May Jul	771.5 176.1	172.8	173.4	171.0
Mar ·	. 1874	1362	1377	1305	Aug	177.0	177.2°.	178.0 179.7	178.0 177.7
Mey	1390 .: 1406	1412	4406	1396	Sep	. 150.1	181.1	161,6	180.0
	470		-	-	Oct	161,6 185.5	182.4 - 188.1	183.0	181.6
	Close				Jun	187.2	187.7	188.0	185.0 187.0
		Previous	High/Lou		Mar	190,9	190.9	191.0	180.9
May	98.27	-95.61 17.57	97.10 99.10	-95.00 97.70	MAIZE	5.000 bu i	min: cente/5	All hughest	
Sep	100.15	99.53	100.75	199.60	1.7,-	'Close	Previous	High/Low	
- Dec	102,40	101.57	102.75	101.75	May	278/0	277/2		-
===		=		- 1	· Jul	279/0 :_	278/6	279/2 280/4	276/2 277/4
· STATE		£12",1120	DD, lbu; .gen	10/00	Sep Dec	271/4 256/0	271/6 286/6	273/2	270/4
/ <u></u>	.Class.	Previous	High/Low	- A	Mer .	271/6	272/6	268/0 273/2	265/2 271/0
May			.15.22	15.22	May	' 2742 .	275/2	276/0	274/2
Out .	15.18	15.27 15.22	15.39	15.29	WHEA	7 5.000 bu	min; cents/	Mh bankat	
Mar	14.34	14.61	14.40	14-29	74.4	Close	Previous		
May	14.08	14.70		14.20	May	370/Z		High/Low	
		conta/lbs:	· · · · ·		Jus	836/2	370/6 341/2	371/8 - · 341/2	389/2
	_		· h = 4 -		- Dec	344/2	347/0	347/0	344/2
	Close.		High/Low		Mar	356/0 361/4	359/4 364/5	359/6 363/0	356/0
Jul	75.31 · 74.53 ·	74.01	75.85 74.85	74.20	LIVE		000 lbs; cen	2020	361/4
Oct	69.35 .	68.65	69.40	68.75		_ Close ·			<u> </u>
Dec	95.60	96.20	66.70 - `	66.25			Previous	High/Low	
May	57.40 .67.50	67.10	67.45	67.24	Apr	74.87	74.72 73.70	75.10	74.55
वंश	67.50	67.50		0	Aug	72.60	72.77	74.12 72.70	73.47
ORAN	عالم	15,000 for;	Contr/ibe	-	Dec	74.20 .	74.22	74.32	72.25 73.82
	Close	Previous	High/Low	-	Feb	74.52 74.65	74.46 74.45	74.62	74.05
May	189.65					,		74,76	74,35
34	189.30	198.70	193.70	188.20	0-00-00 ex	000 00			
Sep.	184.75	188.10	187.50	184.00 .			0 lb; cents/l	35	
.Nov Jee	178,50 172,40	181:90 176:00	181.00 174.00 -	177.50		Close	Previous	High/Low	
Mar -	172.25	175.75	176.00	171.55	, dan: - Jul :	62.02	61.20	62.17 .	61.52
May	171.75	175.25	0 .	9	AUg	61.75 59.67	60.97 58.79	61.90	61,25
					Oct	52.70	58.72 52.40	59.85 52.95	59.20
Repic					Dec Feb	B1.90	51.50	52.12	52.55 51.70
ANUTT	DRS (Base	r. Septembe	w 18 1931.	- 100) ·	Apr	50.35 47.42	50.15 47.00	50.45	50.25
1	Apr 23	Apr 20	meth ago				-17 ANJ	47.42	0
1	1827.6	1918.5	1900.7	2033.1	-	WET 1			
		sec Dec. \$1					(0,080 lbs; c	ents/lb	-
						Close	Previous	High/Low	
	Apr 20		ний здо		May	64.32	62.82	84,32	63.15
Spot	135,01 133,93		130.57	197.98	Jul . Aug	64.32 63.10	62.32	64.32	63.40
· Gibi di	100,84	133.94	182.78	189.30	Feb	59.20	61.10	63.10	61.90
	_		د خسرته		- Mar	59.00	67.55	59,70 69.00	68.00 67,80
		* *				•			100
		-							

Since Compilation
High Low

105.4 50.53 (25/11/47) (3/1/75)

734.7 43.5 (15/2/83) (26/10/71)

84.89 (23/4)

245.2 (23/4)

2463.7 2159.2 2453.7 986.9 (3/1) (23/4) (3/1/90) (23/7/84)

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1938, Ordinary 1/7/35, Gold thines 12/9/55, Basis 1000 FT-SE 100 31/12/63. ⇒ NII 9.97

GILT EDGED ACTIVITY

"SE Activity 1974. (Excluding intra-market business & Oversess turnover Calculation of the FT inclose of Gaily Equity Bargains and Equity Value and of the the-day swerages of Equity Value and of Equity Value, was discondinued on July 31. Closing values for July 28 available on request.

378.5

49.18

Volume Classing Day's 100's Prope sharings

LONDON STOCK EXCHANGE

Selling remains light as market falls

INVESTMENT confidence in London suffered a fresh jolt yesterday as concern over the near-term outlook broadened to include the prospects for next month's auctions of US Federal securities, and the Japanese attitude towards the sale. A prediction by Merrill Lynch, the US brokerage, that Wall Street was set for a sharp fall put London on the down-slope, and UK shares closed slope, and UK shares closed nearly 28 points down, at the day's worst levels, after the New York market came in with an early loss of 33 Dow points. The announcement that Hoylake, the Sir James Goldsmithled consortium, would not renew its bid for BAT Indus-

· Accoun	nt Dealing	Dates
Tiret Dealings: Apr 9	Apr 36	May 14
Option Deglars Apr 25	ione: May 10	May 24
List Duslings: Apr 27	May 17	May 25
Asstract Day: May 6	May 21	Jon 4
Tien time deal	lingo sony taka minose daya a	place from order

tries came after equity trading had closed, leaving BAT shares 4 off at 724p. BAT will open ou at 1/24 EAT will open fower this morning, but that will present a golden buying opportunity," said one trader. The withdrawal of the Hoylake bid, the largest takeover move so far attempted in the UK market, is expected to join the

list of beerish factors hanging over equities. There was not much sign of improvement across the broader domestic front. UK money supply data for March showed a jump of £9.2bn in bank and building society lend-ing for the month, higher than expected. Discouraging news from the battered proper-ty/building sector, where shares in Anglia Secure Homes were suspended and Hammerwere suspended and Hammer-son Properties disclosed a dis-appointing net asset revalua-tion, maintained pressure on these sectors and also on the UK lending banks, already under fire in view of the risks to corporate lending books.

Equities fell steeply during the morning, although selling pressure was light. A US securities house operated a mixed trading programme worth about £100m and involving a list of FT-SE stocks. However, traders described the session as "boring rather than alarm-

The Footsie Index paused ahead of Wall Street's opening, but then quickly extended its 22 point fall to close 27.9 points down on the day at 2,159.2. Seaq volume was a meagre

Market strategists took yes-terday's setback calmly although it was admitted that the market has now fallen

Hunting closed 3 lower at 187p; the company reported an

improvement in profits from 234m in 1988 to £48.4m last year. Despite that increase, the market was concerned that the

IP233 weapons contract to produce an airfield denial weapon, a significant contributor to

profits, is to be wound down at the end of this year.

Mr Sandy Morris at County NatWest said: "Although avia-tion and oil and the technology

divisions are both expected to produce growth, this will not offset the downsurn in JP233."

County has downgraded profits expectations to reflect the fall in contribution of the defence

division. It now expects 1990 profits of £49m, down from its

previous forecast of £52m, and expects 1991 profits of £47m.

clothing company, jumped 205 to 545p following a recom-mended 575.8m cash offer from

Renown, a leading Japanese

Ratners, the jewellery group,

gained a penny to 227p on news of a 41 per cent jump in final profits. An analyst com-

mented: "The market liked the indications that it will not be

making any major acquisitions in the US." He added that a belief that any hid made by the company would be funded out

of cash resources rather than by issuing equity helped senti-

Great Universal Stores slipped 14 to 901p on worries about its mail order business

and involvement in the property market. Burton was also

depressed, losing 7 to 150p.

The building and construction area of the market was given another rough ride. Anglia Secure Homes, the sheltered busing course disped to

tered housing group, dipped to 65p prior to the shares being suspended at the company's

request. Anglia said it was involved in discussions over its

shaltered homes services bust-

ness with a major financial institution, full details of which it hopes to announce by the end of the week.

McCarthy and Stone, another sheltered homes

builder, suffered from persis

stant selling which drove the stock down to 34p before a close of 33p, a net decline of 11. But there was relief for Fairbriar, hit by a wave of selling last week. Fairbriar shares who maded 10 to 48p entired.

rebounded 10 to 45p, sustained by a reassuring statement from

the company issued late on Fri-

day. Tarmac, scheduled to report

preliminary profits this morning, dropped 10 to 208p. The

market range for pre-tax prof-its was £350m to £385m, com-

clothing group.

Aquascutum, the UK classic

price, by Hoare Govett.

through two chart support levels - at FT-SE 2.211 and 2.170. "We don't think there is a big black hole out there," was the view at County NatWest, although the strategy team admitted to wider concern about the chances for Japanes support at the US Treasury funding next month,

Kleinwort Benson Securities which turned bearish on London some weeks ago, also pointed to the increasing implications for the UK market of Wall Street's prospects in the face of an apparent repatria-tion of funds by Japanese investors just as US Gover-ment funding needs are

19,802 628 13 20,197 357.3 SEAO Bargns 4.45pm Equity Turnover(Sm)† Equity Bargains† Gedinary Share Index, Hourly changes Day's High 1711.0 12 pm 1750.0 1 pm 1698.5 2 pm 1696.2 4 pm 1696.2 1693.9 PT-SE, Hourly changes 12 pm 1 pm 2 pm 3 pm 4 pm 2167.3 2167.0 2165 3 2164 3 2160.9 TRADING VOLUME IN MAJOR STOCKS bank provision would clear the decks for a better 1991," UBS said. The broker also said that Tarmac was revaluing its mineral reserves, which should double in value in the balance short to assure a cooker. sheet to around £600m.

Ordinary Share

FT-SE 180 Share

Orc. Div. Yield Earning Y.C %(bill) P.E Rabo(Ket)(©)

A press report regarding the excessive profit margins on international calls unsettled telecom stocks. British Telecom receded 4 to 2541/4p on 3.6m shares, while Cable & Wireless were given an uncomfortable ride on the same story, closing 11 lower at 485p on turnover of 2.5m.
At least two leading securi-

ties houses, UBS Phillips & Drew and Hoare Govett, reaffirmed their bear-ish stances on C & W, while ish stances on C&W, while analysts elsewhere took the view that C&W's Mercury could be more at risk than BT from official investigations into international call charges.

BICC, after a profits downgrade by BZW, lost 5 to 415p.

Farnell, the components group,
progressed to close 4 higher at 162p after preliminary figures described by Mr Ian McNeill of County NatWest as "excellent." Pre-tax profits came out at \$30,63m, against \$27.1m. Mr McNeill has increased his forecast for the current year by

22m to £35.5m. Cookson took the honours for being the only stock in the FT-SE 100 to buck the market trend. Bargain hunters lifted he shares 2 to 188p as some 2.1m shares changed hands. The shares have been weak since last month's lower than forecast results and the profits downgradings that followed.

The rest of the chemicals sector followed the market trend lower. Allied Colloids declined 5 to 151p after County

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Ca Based on trading volume for most Alpha securilies dealt through the SEAO system yesterday until 4,30pm. down 10 to 135p. PML almost halved to 8p NatWest advised investors to switch out of Colloids into British Vita or Laporte. from 15p on the announcement County said: "We forecast (for Colloids) compound average that the preliminary figures were being postponed for some weeks. The company also growth in earnings per share and pre-tax profits of around 10

FINANCIAL TIMES STOCK INDICES

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Day's High 2185.1 Day's Low 2159.1

warned of a first-quarter loss and omission of the dividend.

Irish-based Albion dropped to 40p before closing 11 down on the session at 49p. Textile man-ufacturer Tomkinsons gave up

18 to 258p on agency reports of

high interest rates affecting

carpet sales. The listing of Bestwood was suspended with the

shares at 41/ap pending the out-

come of meetings with the

company's bankers. The disclo-sure of sharply lower profits

pushed Hartons down 3 to 33p.

to 57p following a buy note

Owners Abroad moved up 3

Among other small retailers,

11.09 10.91

Day's Low 1892.1

75.58

per cent per annum for the three years to March 1991. Although solid, we do not believe that this justifies a 32 per cent prospective price earnings premium on the shares." There was no interest, however, in either British Vita, 3 lower at 172p, nor in Laporte, 4 easier at 514p.

Alan Paul's acquisition of

Essanelle, operator of a chain of hair and beauty salons in West Germany, a deal which accompanied news of a share placing and an open offer to shareholders, put Paul shares up to 65p.

Brent Walker lost 6 more to 260p, still unsettled by worries

tions dropped 13 more to 463p.

■ Other Market statistics

Another property setback

HAMMERSON, the property investment company, came under pressure after a smallerthan expected 6 per cent rise in asset value to 1118p per share for the year to December, 1989, reported in its final results.
The "A" shares fell 13 to
730p after the results were

sed. Turnover was a brisk 169,000 shares, with dealers noting modest selling. The market had slipped last week on fears that the results might disappoint, although few had expected such a small rise in its asset value. Mr Alastair Gunn of Charter-

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house Tilney said: "Six per cent asset value growth is one of the worst performances of any property investment com-pany recently reporting." Mr John Atkins of UBS Phillips & Drew noted that Hammerson had been on a premium rating to the rest of the sector. "After these results, its shares are looking around 5 per cent overvalued," he said. The growth from overseas property had not been suffi-cient to offset its stagment UK

Some analysts lowered their asset forecasts for the current year. Charterhouse Tilney moved to 1200p per share from 1340p and URS to 1150p from 1200p.

Glaxo/Astra

Stock market analysts were hurt by their exclusion last weekend from the seminar organised in London by Astra, the Swedish medicines group, at which the verbal battle over the respective medical properties of Losec, Astra's anti-ulcer-drug, and Zantac, the world market leader manufactured by Glaxo, flared up again: Glaxo shares fell 16 to 7700 but turnover, at 2.2m shares, indicated that selling pressure was

City analysts took a cautious view of the attacks on Zantac made at the seminar. At BZW Mr Steve Plag continued to advise portfolio managers to be "overweight" in Glaxo, and maintained that Astra's attacks "will almost certainly have no commercial impact on Zantac whatsoever." Asked if he was recommending the sale of Glaxo stock, Dr Erlig Refsum of Nomura Research replied: "Good God, no."

BAT news

RAT Industries shaded lower by 4 to 724p shead of the statement, after trading hours, that Hoylake's bid for the tobacco

1150 1100

The British & Common-

ing's programme trades.

Barclays, which featured prominently in the first of the prominently in the mist of the programmes, dropped 17 to 519p on turnover of 5.9m shares, which included a single deal of 2m. The deal was thought to have been a sale and the stock was said to be overhanging the market. "There was and still is a lot of stock swilling around the market. stock swilling around the mar-ket," observed one dealer, who added that the banks remained

closing 17 off at 310p on 2.5m. Lloyds lost 10 to 265p on 3m and Midland dipped 7 to 309p on 1.1m. TSB, which also featured in the programma via a single trade of 1m, fell 3 to 124p on overall turnover of 2.8m. Other weak stocks included Royal Bank of Scotland, 7

tomorrow, were a shade off at 111p.
Merchant banks were weakened by a bearish note from
UBS Phillips & Drew. Mr
Steven Thorn, UBS's merchant
banks analyst, said the sector
had outperformed the FT-A
All-Share index by 37 per cent

since last June, but that "increasing evidence of a slowdown in corporate finance activity underlines our forecast earnings growth of only 2 per cent in 1990." He expects the merchants to "return to their traditional 15 per cent discount to the market - there is scope for 10 to 15 per cent downside

group would not be renewed. Turnover was a modest im

shares.

The withdrawal of the bid for BAT represented a disappointment for many large institutions, which would have expected to profit on their holdings in the group, and the absence of reinvestment of these profits could have a temporarily bearish affect on the coulty market according to equity market, according to

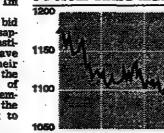
wealth affair and a general per-ception that the hanking sector was experiencing a growing list of bad corporate and per-sonal debts combined to musettle the major clearers. There were also several large individ-ual deals in yesterday morn-

an unhappy sector. "But there was support for most stocks at the lower levels," he said.

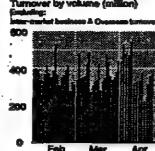
NatWest also fared badly,

lower at 168p, and Standard Chartered, which fell 14 to 502p. Benk of Scotland, sched-uled to report preliminary fig-

FT-A All-Share Index



Equity Shares Traded



from current ratings."

Apert from the forecast slow-

down in corporate activity, Mr Thorn said there would be "lit-tle comfort elsewhere; securi-ties volumes have collapsed by 20 per cent to approach 1988's loss-making levels. With depressed equity indices, asset management profits growth

UBS labelled Hambros, Schroders and S.G. Warburg as sells. It rated Warburg as 10 per cent too expensive relative to the market, says Schroders are expensive "with no hid and a poor yield," and described Hambros as "overvalued on a fundamental basis." Hambros

lost 8 to 254p, Schroders 25 to 1500p and Warburg 8 to 451p.
Allied London, the property company, slipped 8 to 33p following a fall in first-half profits to £3.8m from £5.5m last time. An analyst commented: These results are a lot worse than expected." Priest Marians, a notoriously volatile stock,

dropped 30 to 230p.
T & N resisted the market trend, firming a penny to 163p, boosted by the success of the recent rights issue. The com-pany said that 81.02 per cent of the new shares had been taken up, with the balance of some 18.5m shares easily placed in the market at 80p, a 5p premium to the underwriting

NEW HIGHS (28).
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NEW HIGHS AND LOWS FOR 1990

pared with £393.1m. UBS Phillips & Drew was going for £370m and said the key to the figures was how badly the UK

housing operation has fared following the profits warning in November last year. "A land

director of Universal Flavors in the UK. Universal Flavors Inc is a subsidiary of Universal Foods Corp, US. Dr Frost was managing director of Felton Worldwide in the UK.

 MOWLEM SCOTLAND has promoted Mr Frank Dick from ommercial manager to mmercial director.

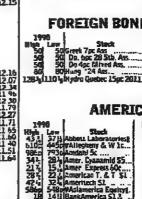
 BARING INTERNATIONAL INVESTMENT has appointed for lan Kennedy (London), Mr David Brennan (Hong Kong) and Ms Ann Janis (San Francisco) to its board.

 BEESON GREGORY has appointed Mr Nick Rodgers as an associate director in the corporate finance department. re joining the company last December he was with Ernst and Young in the



promoted to general manager (business devalopment).

Five to Fifteen Years \$ 1909; \$ 1909; \$ 1909; \$ 1909; \$ 10 pc 1900; \$ 10 pc 1900



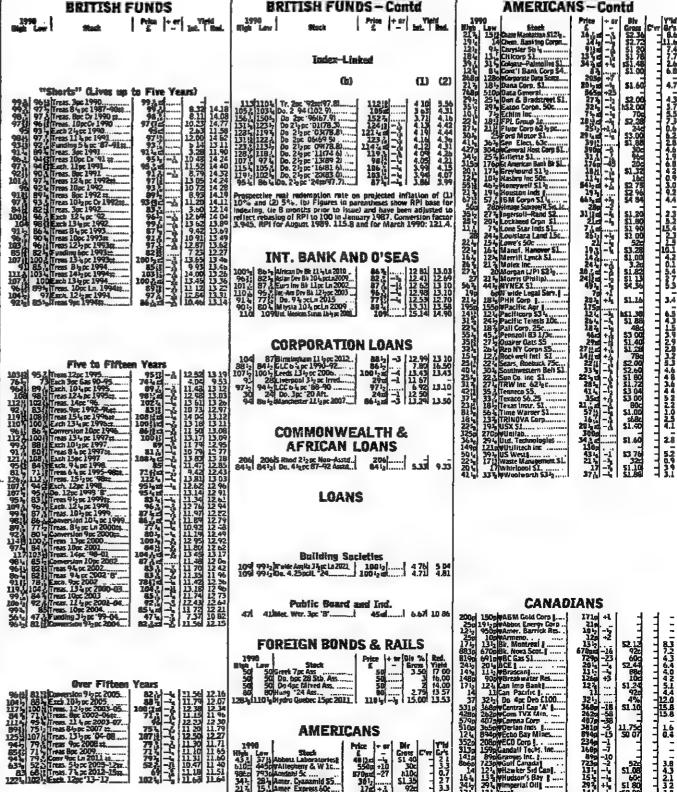


issued by Schroder Securities which rated the shares a buy

about the preliminary figures expected next month. Mecca, whose recently announced figures upset the leisure sector recently, rallied to end at 68p, after 71p. Carlton Communica-French buying interest boosted Eurotunnel, the shares adding 5 at 678p. The Anglo French Channel tunnel group yesterday said it planned to raise another £2.5bn to cover increased costs of building the

including the FT-Actuaries share index, Page 31

LONDON SHARE SERVICE



Senior posts at Security **Pacific**

 SECURITY PACIFIC MERCHANT BANK, investment banking arm of Security Pacific Corporation, has appointed Mr George Handlinicolson (London) and Ms Denise Boutross (New York) as managing directors of Security Pacific's global interest rate and currency risk management group. The appointments follow the resignation of Mr Michael Soden who was managing director and chief executive officer, since its creation in 1985, of Security Pacific Hours Govett, operating company for swaps in London. He says he is leaving "to smell the roses," and to be with his

THE CHARTERED INSTITUTE OF MARKETING has appointed Mr Terence J. Nash as director general from June 1. He is chief executive of Bristol Chamber of Commerce and Industry, and previously was managing director of RELCOM.

■ The following join the partnership of FRESHFIELDS on May 1: Mr Roger Dyer, Mr Ian Falconer, Mr Patrick Gaynor, Mr Timothy Jones, Mr David Pollard, Mr Mark Rawlinson, Ms Sally Roe and Mr Mark Stebbings.



Clive Jackson (above), divisional financial controlle as finance director of subsidiary Avdel Systems to replace Mr Peter Brook who

as chief financial officer and

Mr Philip H. Parker has joined the board of NORTH SEA ASSETS to succeed Mr



AVDEL has appointed Mr

Following the recent ent buyout, Mr Andrew J. Smith has been appointed chairman of LA FAVORITE, condiments specialist. Mr Gaetan Gauci becomes technical manager and Mrs Linda Smith and Mrs Jean Cunningham are made directors.

■ GLAMAR GROUP has appointed Mr David Grattan finance director designate. He was chief accountant of The Albert Fisher Group.



APPOINTMENTS

at HAMBROS BANK, Mr Beevor has recently returned from two years as director general of the Takeover Panel. The bank says "This change will allow Michael Sorkin to devote his time exclusively to his existing clients, and, as importantly, to help extend the size and scope of the division's UK and international

 GSi Motor Trade, a UK division of Generale Service de Informatique, has appointed Mr Gerard Levesque as managing director. He was finance director

■ AWD TRUCKS marketing and customer service direc Mr Malcolm Jefferies has additionally been made responsible for all UK sales. He succeeds Mr Sandy Young who joins his family's hanlage

Following UNIVERSAL FLAVORS acquisition of Felton Worldwide, Dr Geoffrey Frost has been appointed managing director of the Europe and Middle Eastern region, Mr Robert Clarke has been appointed managing



■ NATIONWIDE ANGLIA BUILDING SOCIETY has appointed Mr Peter Richardson (left) as genera manager (retail). He was Midlands area general manager. Mr Peter Munday (right), central London area general manager, has been

Light PROF.

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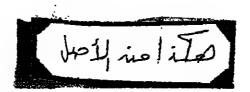
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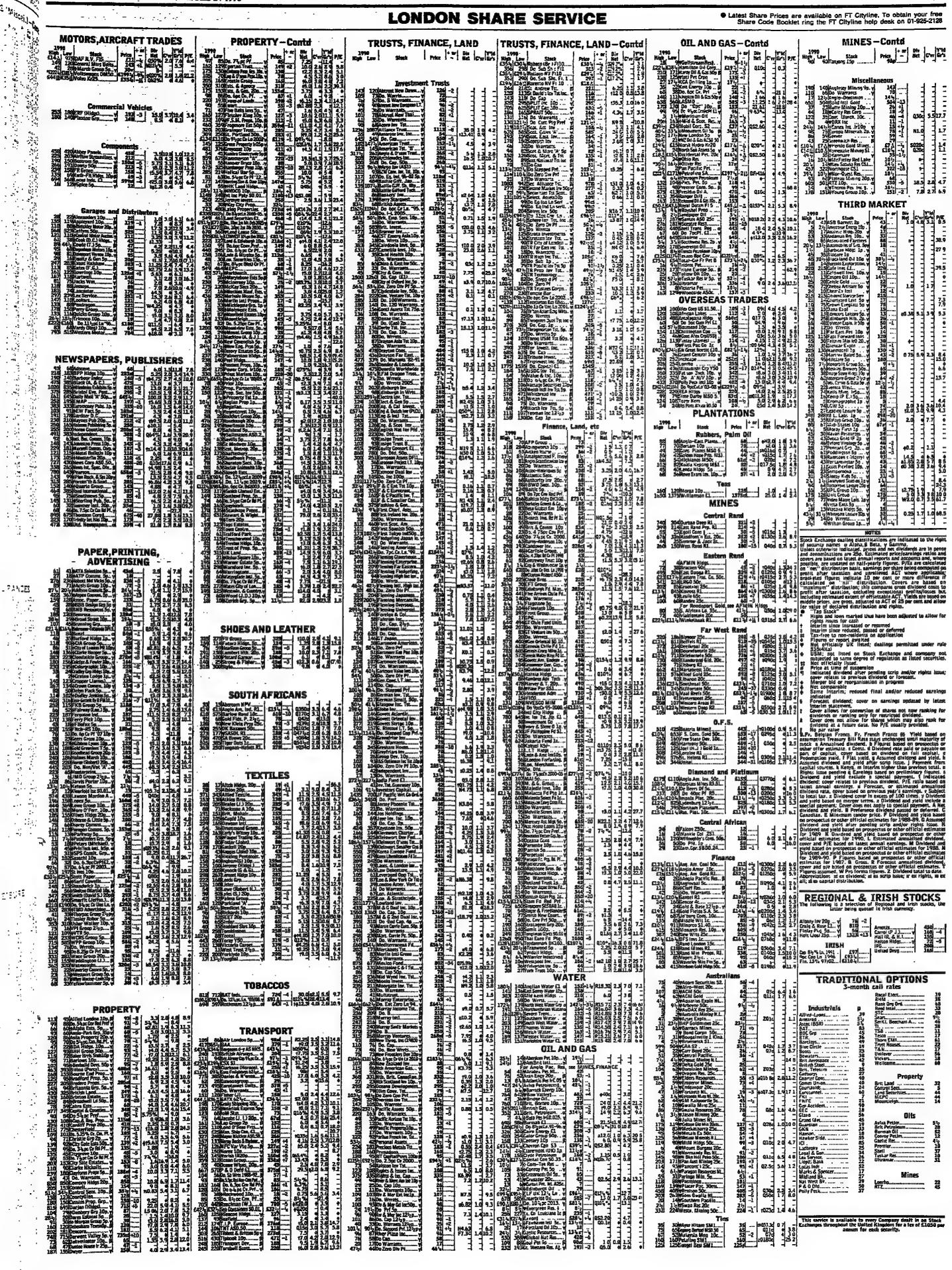
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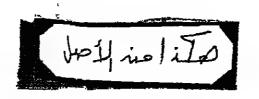
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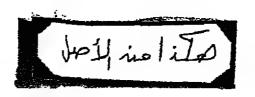
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Hue Harr Yarn | 15 22 11 77 | 15 681-1421 Call Fed | 12 21 11 72 | 15 681-1421 Fed | 14 70 | 15 30 16-1421 Fed | 17 80d | 14 70 | 15 30 16-1421 Fed | 17 80d | 14 70 | 15 30 16-1421 Fed | 17 80d | 17 80d | 17 80d | 17 80d | 18 31 1611 Deltar | 17 90 | 5 46 | 7 451 3-1488 407.3 Sampania Group (Lozenthourg) cia 9 St Pack Churchard, Loudon, ECA 01-489 8829 HARAN, Despiss loss (22 107 - 2.12c) (22 Capital House Investment Management Capital Internations 18.13 | 18.15 | Capital International Service 18.21 | Capital International Service 18.21 | Capital International Service 18.22 | Capital clo 9 St Pauls Churchy Secondo ECU Fund 96,362. |+0.344| Money Market Performance Funds in the casing on Treestay Prondential Intil Financial Services Ltd Historic Correcty Place Historic Correct Historic Co \$15.796 -0.100 \$7.486 -0.085 \$15.495 +0.091 \$11.679 -0.077 \$14.421 -0.045 \$17.854 -0.118 **Bank Accounts** Archine Fleming In Factoring In Factoring Japan In Japan 042424142 Stem Life Global Management Ltd PO Box 178, Donglas, lake of Man 0624 22444 Clubbi Partialia | Free | 5461 25731 Transport Amore Correctly Interests Front 9,66001 -0.01081 9,522 | 100.67 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 100.57 | 1 Bath of Ireland High Interest Che 3- Queen St. EC4R 184 2 000-4 940 113 783 10 786 14 110 006 1 14 131 11 000 15 Pirst Aust Prime lat her Ca Ltd 80-V Apr 20 18-V Dilated to reflect energies of all W Pideliff V Informatil peace (CD Ltd 80-V Apr 20 18-V 5481 28750 Hoop Kene Ultr Fund. http://www.https://ww SERVICE TARGET TO SERVICE TO SERV tional Ltd 120,000 114.50 11.51 2010 Acc 14 Merchant Bank PLC Portfallo Acc 15 Merchant Street, Lapino SWIX 818 01-255 07 244 13.25 07 0481,21374 7.74 -0.12 -7.74 -0.12 -7.74 -1.10 -SCI/TECH SA SCI/TECH SA SCI/TECH NAV AN 18 J Justin Fo S. 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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark falls on unity offer

NEWS THAT West Germany has made a qualified offer to convert East German marks at parity put downward pressure on the D-Mark yesterday. According to the Government in Bonn, East German wages and savings up to 4,000 marks will be converted at one-for-one if the two Germanys achieve

monetary union in July.

The market regarded this as a generous offer and noted that the Bundesbank had reservations about the conversion plan. It was seen as a move motivated by political rather than economic reasons. Dealers are now waiting to see whether the central bank will allow the D-Mark to slide lower, or will intervene with determination on the currency market. Another option could be higher interest rates, bring-ing consequences for many

other currencies.

Mr Karl Otto Pöhl, president
of the Bundesbank, said last week that Germany would suf-fer if the stability of the D-Mark was endangered, and that maintaining a stable cur-rency was more important for the Bundesbank than monetary union

Speculation that this may result in higher interest rates had no impact on the foreign exchanges yesterday. The D-Mark lost ground to the dol-

E IN NEW YORK

Carcit		Close
0.87-0.8bp	11	380-1,6390 3 68-0 86em 2,60-2,579m 9,45-9 40pm
HUNG	MI	EX
A	pr.23	Previous
P I Primeri	73 72	87.2 87.1
	1.6360-1.6370 0.87-0.966 2.57-2.56p 9.30-9.23pr ms and discounts	1.6360-1.6370 1.6 0.87-0.85pm 2.57-2.55pm

CURRENCY RATES

Apr.23	1914	Drawing Rights	Carrency Unit
Nest Guilder French Franc Italian Lira Japanese Yea Horway Krone Sganist Peseta Swedish Krona Swes Franc Greet Drach Irigh Pact	1000 7.01 1000 1000 1000 1000 1000 1000	0.793842 1.30452 1.51650 15 4403 45.3940 8.35154 2.19342 2.46880 7.36983 1611.25 205 266 8.51882 1.39 877 7.795572 1.39636 214 072 0.818341	0.737399 1.2053 1.40078 1.4095 14.4095 42.3340 7.78873 2.04809 2.30386 6.87758 1502.85 1502.85 150.95 129.002 7.49061 1.79621 1.79621 1.79621 1.79621 0.763286
t European Com	missijon i	Calculations	

CURRENCY MOVEMENTS

Apr.25	Bank of England Index	Morgani Goaranty Otanges %
Stering	87.4 68.5 105.4	-24.4 -9.7 +2.0 +12.1
Belgian Franc Davish Krone Deutsche Mark	111.1 110.9 118.5	+5.4 +24.9
Subs Franc Guilder Franch Franc Lira	110.3 114.8 104.9 101.8	+17.9 +16.7 -11.6 -17.9
Morgan Guaranta 1982 - 100, Bank of 1985 - 1007**Rates are	thanges: at England Index	rerage 1980- (Base Average

OTHE	R CURRE	NCIES
Apr.23	C	5
Argentine Australia Brazii Fleriand Greere Hong Kong, Irin Koren (SUA) Koren (8240 40 - 8251.89 2.1335 - 2.1354 96.465 - 98.160 6.5410 - 6.5535 270 80 - 271.15 12.7420 - 11.64 11.580 - 12.7430 11.580 - 12.7430 11.580 - 14.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515 4.740 - 4.515	5040.00 - 5050.00 1.3045 1.3055 59.000 - 60.000 3.9980 - 4.0010 1.53.40 - 1.65.77 7.7155 7.7915 7.7915 7.7020 - 707.90 0.2930 - 0.2935 35.00 - 35.10 2.7175 - 2.7195 2800.50 - 2900.30 1.7125 - 1.7145 3.7500 - 3.7510 3.7505 - 3.7510 3.7525 - 6.573 3.7215 - 4.0000 28.35 - 26.40
	"Selling rate	

MONEY MARKETS

day. There was little reaction on the money market to news

that sterling M4 bank lending rose by £9.2bn in March,

against expectations of around

ply was in line with most fore

casts. Three-month interbank

£8.4bn. Annualised growth of 6.3 per cent in M0 money sup-

lar and members of the European Monetary System.

The D-Mark hovered around the bottom of the EMS, with the French franc rising to its highest level against the Ger-man currency for 2½ years. At the Paris fixing the D-Mark fell to FFr3.3598, without any intervention by the Bank of France, and by the London close it had declined to FFr3.3560, from FFr3.3580 on Friday. The D-Mark also fell to L733.65 from L734.40 against the lira at the finish of trading in London. In Milan the lira was fixed at its highest point against the

D-Mark since mid-November. Intervention by the Bank of Spain has failed to prevent the peseta strengthening at the top of the EMS. The Bank of Spain bought French francs against the peseta on Friday, and continued to intervene yesterday, with further purchases of francs. The peseta remained very firm, however, but within

limit. The lira was also strong, nudging up towards its 2% per cent limit against the weaker

The Japanese yen has moved out of the spotlight, as long D-Mark positions have be liquidated. The D-Mark fell Y92.90 from Y93.45 in Londo and the yen was little change against the dollar.

In London the dollar rose DM1.6970 from DM1.6888, after touching a peak of DM1.7000. also advanced to FFr5.698 from FFr5.6700; and to SFr1.4930 from SFr1.4910, but

eased to Y157.65 from Y157.80. Its index rose to 68.5 from 68.3. Sterling benefitted from the weak D-Mark, rising to DM2.7675 from DM2.7625; to FFr9.3200 from FF9.2725; and FFr9.3200 from FFr9.2725; and to SFr2.4425 from SFr2.4375, but was unchanged at Y258.00. The pound gained 10 points to \$1.6365, and its index rose 0.2

E	URO-CI	JRAENC	Y INT	REST	RATES	
Apr 23	Short, Lerm	7 Days notice	One Mosth	Three Months	Six Months	()ne Year
Sterling US Dollar Can, Dollar Can, Dollar Dollar Doubler Fire Franc Doubler Control Doubler Fire Franc Belgiant Franc Free Do Knose Rulan \$\$\text{Sing}\$	105-104 711-713 911-91	15.4-148 8.4-8.4 13-12.4 8.4-8 10-9.4 78-71.4 10-10-10 10-10-10 12-10-10 12-10-10 13-10-10 13-10-10 13-10-10	15,-15 83-93 13,-121 83-93 93-73 93-93 113-113 103-113 103-113 113-113 113-113 113-113 113-113 113-113 113-113	154 154 154 154 154 154 154 154 154 154	15.4-15.6 84-84 13.4-13.6 84-84 92-64 84-84 12.4-12 10	15 12 - 15 14 - 15 14 - 15 14 - 15 14 - 15 15 15 15 15 15 15 15 15 15 15 15 15
ang term Eurodollars; two years 9,2-9,5 per cent; three years 95,-95; per cent; four years 9,5-93, per cent; five wars 95,-95; per cent nominal. Short term rates are call for US Dollars and Japanese Yan; others, two days' notice,						
FOUND	SPOT-	FORWA	RD AQ	AINST	THE PO	UND
Apr.23	Day's	Close	Ope mo	nth %	Three	*

1635 - 16375 16360 - 16370 0.88-0.96cm 0.30 2.57-2.56pm 1875 - 16370 18865 - 1.8975 0.31-0.25cm 1.71 0.77-6.5pm 1876 - 19975 0.31-0.25cm 1.71 0.77-6.5pm 1876 - 19975 0.31-0.25cm 1.71 0.77-6.5pm 1876 - 19975 0.31-0.25cm 1.71 0.77-6.5pm 1.71
10 12 10 15 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 10 75 75 75 75 75 75 75 7

Apr.23	Day's spread	Close	One month	b-∓-	Tirree months	% p.a.
MY refundy mundy mundy mundy incher lands CI CI	1.6335 - 1.6375 1.5780 - 1.5830 1.1590 - 1.1630 1.9025 - 1.9120 34.90 - 35.15 6.434 - 6.464 1.6410 - 1.7000 149.80 - 149.90 106.30 - 167.10 1107 - 167.10 6.155 - 6.57 1.4950 - 1.4940 1.4950 - 1.4940 1.4950 - 1.4940 1.4950 - 1.4940 1.4950 - 1.4940 1.4950 - 1.4940	1.6560 - 1.6370 1.5800 - 1.5810 1.1605 - 1.1615 1.9680 - 1.9070 35.00 - 35.10 6.45 - 6.451, 1.6965 - 1.6975 1.6965 - 1.6975 1.244 - 1.235, 6.56 - 6.565 2.914 - 5.104 6.134 - 6.134, 6.134 - 6.134 1.71.40 - 1.195 1.445 - 1.195 1.445 - 1.195	0.88-0.86cpm 0.40-0.35ppm 0.40-0.47cit; 0.028is-parcyn 1.00-0.00cit; 47-0.3cit; 2.90-3 00tirel; 1.70-2.05vers; 0.37-0.15spp par-2.40prdis 0.12-0.17cit; 0.12-0.17cit; 0.12-0.17cit; 0.12-0.17cit; 0.12-0.17cit;	638 255 4071 240 250 250 250 250 250 250 250 250 250 25	2.57-2.54pm 1.30-1.55pt 1.30-1.55pt 0.0548-pargen 9.01-19.0085 3.75-4.55pt 1.36-2.75pt 1.36-2.75pt 1.36-2.75pt 1.36-2.75pt 0.49-0.55pt 0.49-0.55pt 0.39-1.50pt 0.39-1.50pt 0.39-0.75pt	6.2 4.5 0.0 -1.6 -2.2 -3.2 -3.2 -4.6 -0.3 -0.3 -0.3 -0.3 -0.3 -0.3 -0.3 -0.3

EMS (EUROPE	AN CUR		UNIT RA	TES
	Equ central rates	Cerrency amounts against Ecu Apr.23	% change from central rate	% change adjusted for divergence	Divergence Figuit, %
Belgian Frant Danisk Krose Benson D-Mark Presch Frant Duch Gol Ider Irish Puni (tallan Lira	42_1679 7.79845 2.04446 6.85646 2.30356 0.763159 1529.70 132.889	42,3340 7,78873 2,04808 6,873386 2,34386 0,763286 1502,85 129,002	+0.39 +0.12 +0.18 +0.24 +0.02 +0.02 -1.76 -2.92	+0.95 +0.04 +0.34 +0.40 +0.17 +0.18 -1.60 -2.92	±1.5508 ±1.6453 ±1.1762 ±1.3618 ±1.5272 ±1.6689 ±1.5162 ±4.2705

Changes are for Ecu, therefore positive change denotes a week con Adjustment extendated by Figure 11 Times.

Apr.23	E	5	DM	Yes	F Fr.	S fr.	H Fl.	Ula	C 5	8 Fr
5	0.611	1.637 1	2.778 1.647	258.0 157.6	9.320 5.693	2.443 1.491	1.123 1.908	2038 1245	1.899	57.3 35.0
OM YEN	0.360 3.876	0.589 6.345	10.77	92.87 1000	1.00 36.12	0.879 9.469	1.124 12.10	733.6 7899	0.684 7.360	20.6 222.
F Fr. S Fr.	1.073 0.409	1.756 0.670	2.981 1.137	276.8 105.4	III, 3.815	2621	邊	2187 834.2	2.038 U.777	61.5 23.4
H Fi.	0.320 0.491	0.524 0.803	0.890 LJ&J	126.6 126.6	2.904 4.575	0.782	1 1500	652.6 1000.	0.608 0.932	123
C S B Fr.	0.527 1.744	0.862 2.854	1.863	135.9 449.9	4.908	1.305	1.645 5.446	1073	3311	30.2 100

(Lunchtime)

LIFFE LONG GILT FUTURES OPTIONS 150,000 64ths of 100% Liffe us treasury none putures options \$100,900 64% of 180% 3-33 2-37 1-46 0-41 0-41 0-45 0-45

FINANCIAL FUTURES AND OPTIONS

Previous d	wordene Long ay's open led.	Calls 25	AG Puts 1	4093
Strike Price 9050 9075	Jpn 0.92 0.68	Sep	Jan 0.01 0.02	Sep 0.13 0.20
9100 9125 9150 9175 9200 9225	0.45 0.25 0.11 0.04 0.02 0.01	0.34 0.23 0.14 0.08 0.05 0.03	0.04 0.09 0.20 0.38 0.61 0.85	0.29 0.43 0.59 0.78 1.00 1.23
	Previous d LIFFE EX. DACIno pei Strike Price 9050 9075 9100 9125 9150 9175 9200	Previous day's open let. LIFFE Euthomatics of 1867 Strike Carls-setti Price June 9050 0.92 9070 0.65 9125 0.25 9150 0.91 9175 0.04 9200 0.02	Previous day's open left. Call's 25: LIFFE EUROMARK OFFERNS BALLIM paters of 186% Strike Jan Sen 9050 0.92 0.58 0.50 9100 0.52 0.58 0.50 9100 0.52 0.25 0.23 9150 0.11 0.14 9175 0.04 0.08 9200 0.02 0.05 0.05	DelComposition of 186% Strike Carlo-settlements Person Strike Jam Jam Strike Jam Jam

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04 124 124 124 124 124 124 124 124 124	Jan Sep Dec	Close 81.98 81.81 81.85	High 82.20 82.00	81.65 81.60	82 82 82
flyg stice,	Estimates Previous	l eniome 509 Say's open in	12 (2118) L 63273 () 625199	
-		ONAL LONG 90s 100ths		PAHEDE G	VT.
_	Jan	Close 93.56	High 93,75	15.50 93.50	93.

tind volume 43 (80) us, day's cose int., 724 (722) THINEE MONTH STEMLING \$500,000 points of 100%

Juni Sep Dec Mar Juni Sep Dec Mar	Close 84.70 84.80 85.17 85.64 86.15 86.56 85.86 87.06	High 84,70 84,81 85,17 85,64 86,15 86,56 86,83 87,96	84.65 84.65 84.72 85.08 85.57 86.10 86.51 86.81 67.00	Pres. 194.71 194.80 15.11 15.66 16.17 16.39 17.06
Est. Vol. Previous	Onc. figs. so day's open in	z głown) (t. 15546)	0153612 0153612	30
	EDRTH EURO ES et 100%	MOLLAR		
	91.27 91.06 90.87 90.76 90.64	High 91.28 91.11 90.91 90.80	91.24 91.06 90.86 90.76	91.33 91.17 90.98 90.86 90.77

Sep Sec Sep Sep Dec Mar	Closs 91.41 91.05 90.91 90.96 91.09 91.15 91.18	High 91_44 91_08 90.95 90.92 90.97	91_95 91_00 90_65 90_67 90_97	91 91 91 91 91 91 91 91
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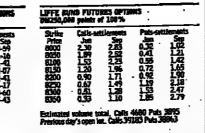
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Estimated volume total, Calls 54 Puts 1091.

LITTE EX	RODOLLAS	CPTERMS	•		LIFFE SHOK! STERLING OFTENES 2500,000 puicts of 100%							
Strike Price 9050 9075 9100 9125 9150 9175 9200 9225	Jun 0.78 0.54 0.31 0.14 0.05 0.02 0.01	Sep 0.67 0.48 0.32 0.19 0.10 0.06 0.03	Jpa 6.01 6.02 6.04 6.12 6.28 6.50 6.74 6.98	Sep 0.09 0.15 0.24 0.36 0.52 0.73 0.95	Strike Price 8375 9400 8425 8460 8475 8500 8525 8550	9.96 0.74 0.51 0.30 0.13 0.03 0.03	tilemets Sep 1,15 0,95 0,75 0,57 0,41 0,29 0,14	Puts-00 Jun 0.01 0.04 0.06 0.10 0.18 0.36 0.58 0.82				
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ome 7,218 Total Goes Interest 24,363 CAC-46 FUTURES (BURTIF) Shok Inde

BASE LENDING RATES

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4.3 6.7 5.9 11.0 14.7 7.4 10.3

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\$1 13.6 63 7.4 7.1 13.4 4.7 3.8 8.8 3.6 18.4 9.4

7.2 5.1 5.2 9.6 6.0 8.3 7.1 5.1 26.7

NA

1 Something put on a petition

(11) 7 Pen mate (3)

9 Draw a small amount (5)
10 Appeal to a charlady to confess? (4.5)
11 Nurseryman's guarded forecast about hawthorn? (9)
12 A right to be different from others (5)

13 Anything in New York is slightly wicked (7)
15 Ancient Mariner's story brought back by an Arab

prince (4)
18 Goddess lives again (4)
20 Broken romance in Italy (7)
23 All right, a senctimonions creature (5) 24 Sheep cheese (9) 26 See 3 down

27 The doctor's behind with a rough report (5)
28 The old-fashioned way to get money (3)
28 Well content (6,5)

1 One metal fused into many 2 Egg-producer's supply at

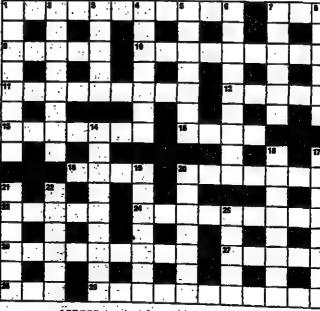
capacity (8) 3, 26 across The best of 4 A roguish manner to make an entrance (7)

COMPANY NOTICES NOTICE OF MEETING

JOTTER PAD

CROSSWORD

No.7,221 Set by DANTE



5 Put into liquidation? (7) 6 Stone fruit aren't nice cut up (9)
7 Believe one side of the

7 Believe one side of the account (6)
8 Fruit for a bachelor girl (6)
14 All being well, they should be empty (9)
16 Agree to get less (8)
17 He has a telling part in play

(8)
19 At least he's private (7)
20 There's possibly nigh on a hundred worn in the hair

(7)
21 Slightly sensitive? (6)
22 Private servant? (6)
25 Note down new present (5)

Solution to Puzzle No.7,220

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was unchanged at 151-155 per cent, and 12-month money was quoted at 1512-1514 per cent,

UK clearing bank base leading rate

15 per cent from October 5 against 1513-1514 on Friday. Short sterling futures showed little change on Liffe, in spite of nervousness caused by the inflationary implications of the UK money

supply figures. September short sterling opened slightly higher at 81.81, but this was the day's high. The contract touched a low of 84.72, before closing at 84.80, unchanged from Friday. Credit remained in short supply on the London money

market. The Bank of England initially forecast a day-to-day shortage of £950m, but revised this to £900m at noon, and back to £950m in the afternoon. An early round of assistance was offered, and at that time

the authorities bought £350m

London rates steady A FIRM pound kept interest rates steady in London yester- at 14% per cent. Before lunch bank bills outright, in band 1 at 14% per cent. Before lunch another £288m bills were purchased, by way of £70m bank bills in band 1 at 14% per cent; £60m Treasury bills in band 2 at 14% per cent; and £158m bank bills in band 2 at 14% per cent.

14% per cent. In the afternoon the Bank of England bought £117m bills. via £39m Treasury bills in band 2 at 14% per cent and £78m bank bills in band 2 at 14% per cent. Late assistance of around £105m was also

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £2,023m. This outweighed Exchequer transactions adding £450m to liquidity, a fall in the note circulation of £555m, and bank balances above target of £70m. In Frankfurt call money firmed to 7.80 from 7.70 per cent. Tax payments drained funds from the money market, but this was partly offset by funds flowing back from the transfer of Bundesbank profits to the Government. Conditions were confused because a technical problem at one of the Bundesbank's regional centres meant there was no up-to-date information on banks reserve holdings. The last figure on reserve holdings was DM63.3bn, against expectations of around DM59bn for the

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	FT LC	NDON INT	ERBANK F	DNIXI
0T 00	a.m. Apr.239	3 months US dollars	6 months	US Dellers
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to the	market by five	reference banks at 11.00 a.	rearest one-strinessth, of the base each working day. The base	is are National Weston

\$10m MONEY RATES Treasury Bills and Bonds

Prober sate Broker loan rate Fed.funds Red.funds at loternentice	94 5	tree month Is month The year		8.29 Seven 8.46 10-rei	75						
Apr.23	Overnight.	One Morah	Two Mosths	Three Months	Six Months	Lombard loterenties					
Frankfiert Parts Zurich Amsterdam Totyo Milan Brussels Dublin	7.75-7.85 93-91 84-94 7.70-7.80 71-7.1 114-12- 7.55 114-111	7807.90 91.91 91.91 8.288.38 73.71 115.114 10.104 115.114	7 95-8.10 911-913 113-12	8.10-8.25 93-10-1 94-9-5 8.43-8.53 73-7-1 12-12-1 10-3-10-3 12-12-4	8.50-8.65 10-10-5	8.00 9.75					
LONDON MONEY RATES Apr 23 Overnight 7 days One Three Six One Months Months Months Vear											
Interbank Offer Interbank Bid Sterling CDs Local Authority Deps Local Authority Bonds Discount Bikt Deps Company Deposits Finance House Deposit Freasury Bills (Buy) Bank Bills (Buy) Fine Trade Bills (Buy) Dollar CDs	15	15 143 143 143	15-14-15-14-14-14-14-14-14-14-14-14-14-14-14-14-	154 154 154 154 154 156 154 154 155 154 155 155 155 155 155 155	1512 1531 1512 1513 1514 1515 1415 8,70	1513 1514 1514 1514 1514 1514 1514					

Treasury Bills (sell); one-month 143] per cent; three months 143; per cent; Bank Bills (sell); one-month 143} per cent; three months 145; per cent; Treasury Bills; Average tender rate of discount 14.58/2 pc. ECGD Fixed Rate Sterling Export Finance. Nake up day March 30, 1990. Agreed rates for period April 25 to May 25. 1990. Scheme I 15.90 pc. Schemes II & III: 16.57 pc. Reference rate for period March 1.1990 to March 30, 1990. Scheme IV&V: 15.311 pc. Local Authority and Finance Houses seven days arches, others seven days fixed. Finance Houses Base Rate 15½ from April 1, 1990. Bank Deposit Rates for sums at seven days solice 4 per cent. Certificates of Tax Deposit Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; as-nine months 13 per cent; one-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

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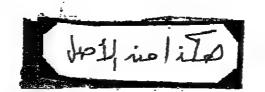
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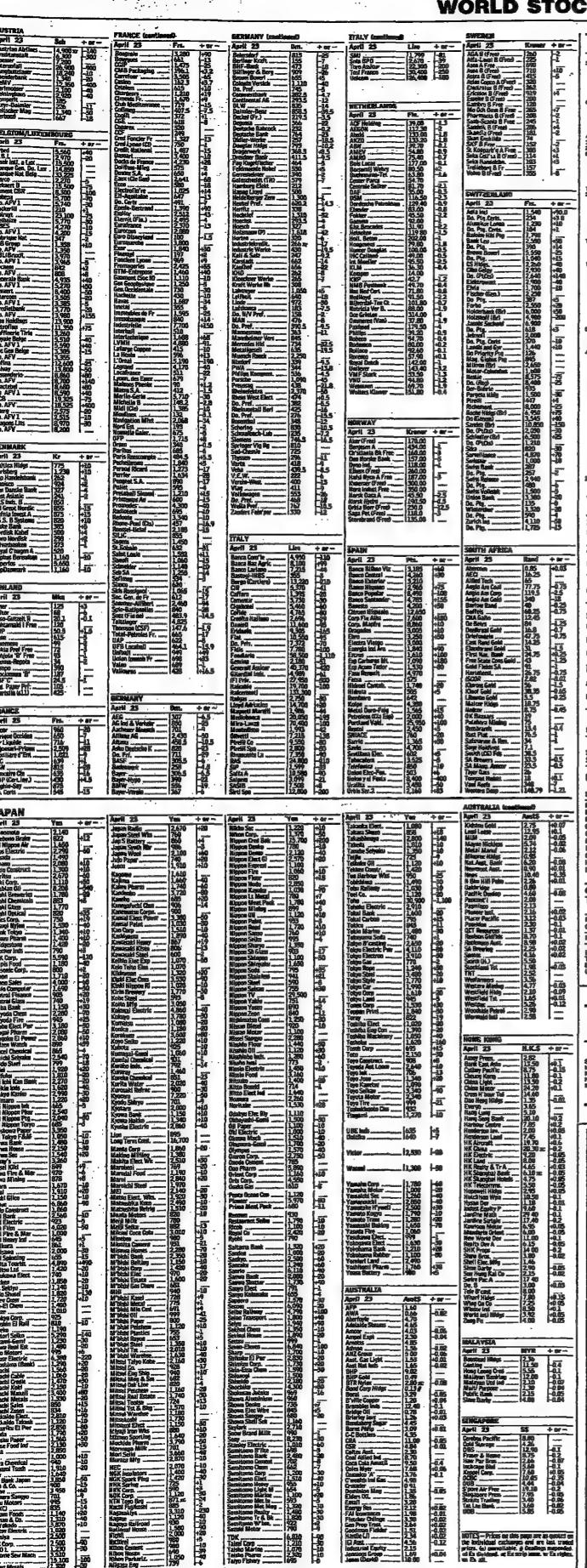
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WORLD STOCK MARKETS

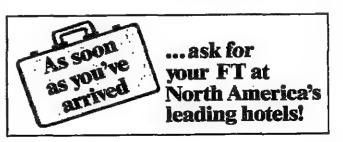


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CANADA

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DOW JONES		Apr	Apr			1990	-	mpliation		23	20	19	18	HIGH	LOW
gladestrials	23 2566.67	20 2695.9	19 5 2711.9	18 4 2732.1	8 2810.1 2/1)		2810.15 (2/1/90)	41.22 (2/7/32)	ALLETTRALIA All Ordinaries (1/1/80) All Miletry (1/1/80)	1483.4 738.3	1492.3 743.5	1495.0 748.0	1501.4 760.6	1713.7 (12(1) 860 8 (5/1)	1453.4 (23/4) 738.3 (23/4)
Home Book	89.AL	99.Tu	89.94	89.91		29.46 (23/4)			AUSTRIA Credit Akties (30/12/84)	642.92	659.31	657 81	667.92	703 29 (19/3)	526,5912/1)
Transport				6 1172.1	2 1301 1	(30/17 0 103 (83	1532.01 (S/9/89)	12.32 (8/7/32)	BELGIUM Brusels SE (1/1/80)	6L28 95	6135 45	6122.68	6122.64	6599 43 (12/1)	5568.16 (26/2)
entities	205.47	208.19	2113	3 211.9	250.23	205.67 (23/4)	236.23	20.50 (8/4/32)	DENMARK Colemages SE CV1/83)	363 41	364,17	360,32	363.79	380.47 (28/3)	58.77 (2/1)
STANDARD	AMD	POO	8'8	40:	y's High 25	90.77 22722.0	2650 معا (7	90 (2568,47)	FILE AND Units Seeral (1975)	586.3	591.0	592.2	596.9	677.3 (23/1)	586.3 (23/4)
Commeste #				9 340.7	2 399.69	322.98	359 80	4.40	WANCE COUNTY	662.11	550.23	244.00			
Industrials			30.7		(2/1)	(30/1)	(9/10/89) 411-20	016/32	CAC 600000 (31/12/82) CAC 40 (31/12/87)	557.11 2089.77	2129_32	544 45 2097 12	563.79 2098.68	557,11 (23/4) 2129,32 (20/4)	482,94 (25/2) 1800.32 (26/2)
Financial	26.97	21.37			17.87 37.83 55/17	(23/4)	(2/1/90) 35.24 (9/10/89)	(21/6/32) 8.64 (1/10/74)	GERMANY FAZ Aktion (XI/XI/90) Commerciani (II/IZ/93) DAX (20/12/87)	781.91 2367.7 1837.50	798.75 2316.2 1884.33	793,40 2340 B 1878,87	302.56 2327.6 1889.76	830.92 (344) 3414.0 (3/4) 1968.55 (30/5)	732.71 (24/1) 2151.5 (24/1) 1756.41 (24/1)
ITYSE Composite	181.93				12/1)	(30/1)	199.34	4.46 (25)4/42 29.31	HONG KONG Rang Scop Bank (71/7/64)	3056.86	3067.30	3067 67	3052.35	3067.67 (19/4)	2738.24 0/2
Amer Mis. Value BASDAQ Composite			390.7 429.6		ISD	(23/4)	397 03 (10/20/69) 485.73	29 <u>.31</u> (9/12/72) 54.87	IRELAND ISED OWNER (4/1/80)	1706.72	1716 45	1707.37	171277	1840 10 035/11	1706.72 (23/4)
ment contain	420.00	463.17	427.0		G/D	00/17	(9/10/89)	ชม์พี่72	STALY Secre Com Mail (1972)	647.24	705.36	707.00	713.01	713.06 (17/4)	646.73 (26/2)
Sow Industrial Six, Y	idd		pr 20 4.07	Api		4.03	year ago 3.6	2	JAPAN Milan (16/5/49) Tolyo SE (Topla) (4/1/68) 2nd Section (4/1/68)	29679.07 2201.20 3549.85	29835 44 2214.16 3562.20	296.41 2213.49 351 G	29249.06 2167.96 3524.56	38712.68 (4/1) 2867.70 (4/1) 4284.68 (9/2)	28002.07 (2/4) 2058.82 (5/4) 3313.92 (5/4)
S & P leástriai dir. ;	yield	_	pr 18 3 05	Apr 3/	4	3.05	year ago 3,2	4	MALAYSIA ICSE Congustre (4/4/86)	532.12	541.88	546.47	550.59	622.30 (20/2)	532.04 (9/4)
NEW YORK A	_		5.08 CCKS	15		15.09 NG ACTI	VITY '	85	NETHERLANDS CBS TU, Am Sen (End 1983) CBS All Ser (End 1983)	255.8 195.2	259.0 197.7	258.4 197.2	259.7 198.6	259.3 C(1)	240.1 (25/2) 184.2 (25/2)
8	nocka.	Closin	ng Char	nge	† Valu		Million		NORMAN OSIO SE (2/1)(65)	782.29	790.03	788.24	796.29	845.40 (16/3)	701.67 (2/1)
Merriit Lock 2.6	raded 54,100	price 221 ₂	_	4 ·	New York	Apr 2	57 174.24	0 152 930	PHILIPPINES Manila Comp (2/1/85)	1062.65	1075.31	1084.67	1094.52	1160.70 (21/3)	1014.09 (5/3)
Paracophic 1,7	368,6 0 0 758, 00 0	104	- 5	aj Ag	Arnex NASDAQ		(a) 150.31	9 145.642	SBIGAPORE SES AU-Singapore (2)4/750	413.34	417 67	1419.97	420.58	40.34 %/2	413.34 (23/4)
Chicarp talk 1,4	121,200 107 500 348,700	64 ½ 22¾ 109¾		ħ.	issoes Trade Itions Falls	1	773 1,97 130 34 223 1,07	% 489 % 962	South Africa ISE Gold (28/9/78) ISE Industrial (28/9/78)	1762.04 2633.04	1808.0 2869.0	1833 0 2673 0	1803.0 2871.0	2230.0 (16/1) 3211.0 (6/2)	1762.0 (23/4) 2795.0 (2/1)
Chest Marketter 1	270.800 L49.800	35% 27%	+	4	Unchanged Meny Highs		4 3	12	Korca Come Ex. (4/2/80)	774.40	767.45	768.31	781.53	928 82 (4/1)	767.45 (20)40
	142,800 139,8 00	34 154	-	4	ijer Lous	1	36 9	6 70	BPAIN Rod H SE (20/12/85)	287.12	277 97	275 66	276.49	302.85 (4/1)	248.17 (2/4)
CAMADA					_				SHIPPEN CO. C.	1172.4	1172.4	1159.60	1151.50	1317.68 (12/1)	1127.20 (2/4)
CANADA TORONTO		ipr	Apr	Apr	Apr _		1990		SWITZERLAND Swis Book Ind. (51/12/56)	B	75) 9	1487	752.3	787 2 (11/11)	737 & C27/31
Meals & Morais	_	23 50.80 2	20 2896.20	19	18 2971.50	HIGH 3453.05 (47)		LOW 180 (23/4)	TAIWAN** Welghlad Price (30/b/bb)	9428.63	9292.39	8830.57	8994.40	12495.34 (10/2)	8830.57 (I.9/4)
Compashe	33	44.10 3	3555 70	3410.70	3476.50	4009.47 (3/1	3344	10 (23/0	Bangkok SET (30)4/75)	844 55	640.56	834.99	835.90	918.67 (5/1)	760.39 (7/2)
MONTREAL Pordallo	_				1782.64	2060.90 (3/)		92 (23/4)	MORLD M.S. Capital Intl. (1/1/70)	(a)	485.7	487 6	484.3	571.0 14/13	468.3 (2/4)
Base values of all in Toronto Composite: 83. † Excluding bon Unavailable.	dices ar and Mei ds.; ind	e 100 e sis — 10 sstrial,	xcept N° 100. Tor plus Uti	VSE All (ronto Ind likles, F	ommon — Ices based idancial an	50; Standard 1975 and Mo of Transporta	and Poor's streal Port Lion. (c) Clo	-10; and folio 4/1/ sed, (n)	Satoject to official recalcu 68ase values of atl Indices a fedestrials = 264.3 and Australia	startion + Con	mertion			Kerez Comp Ex. 780 d DAX - 1,000, JSI seed. (cd Unavaliable	

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*Source: European Businessmen Readership Survey 1989.

FINANCIAL TIMES

4pm prices April 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Interest rate concerns keep pressure on Dow

Wall Street

CONCERNS ABOUT rising interest rates kept pressure on the US equity market yesterday with price falls exacerbated by selling related to

stock index arbitrage, writes Janet Bush in New York. The Dow Jones Industrial Average closed 29.28 points lower at 2,666.67 on a sluggish volume of 137m. On Friday the Dow had plunged nearly 40 points before rebounding to close 15.99 points lower at

The selling yesterday, albeit in low volume, was broadly-based. The American Stock Exchange Composite index was quoted 3.01 points lower at 344.95 and the Nasdaq Composite index of over-the-counter shares was quoted sharply lower, down 5.71 points at

Dominating the market is concern about the outlook for interest rates. Last week's plunge in the Treasury bond market of 3½ points, which took yields to their highest level in almost a year, has made stocks significantly less attractive to investors. Rising long-dated bond yields reflect higher inflation expectations and an anticipation that mone-

tary policy may be tightened.
There has been no sign as yet of any official response from the Fed to last week's disappointing news that consumer prices added 0.5 per cent in March with Federal Funds trading around their 814 per cent target. However, even hefore the latest batch of ecothing of a rebound in economic activity and persistent infla-lier when results were boosted tion pressures, there was a camp within the Fed which favoured a tendency towards tighter policy.

Yesterday, Mr Manuel Johnson, Fed vice chairman, said that he saw signs of a pick-up in economic activity and said that this was a time to be cautious. He also termed last week's consumer prices figures disappointing. One of the few aspects of the economy which has been seen as a justification for easier interest rates is talk about a new reluctance to lend by banks. Mr Johnson called

'hysteria". Both stock and bond markets are waiting this week for Friday's advance report on first quarter gross national product with the consensus forecast for a gain of 2.3 per cent compared with growth in the final quarter of last year of 1.1 per cent. The bond market was modestly lower again yes-terday which helped put pres-sure on stocks. In late trading, the Treasury's benchmark long bond was quoted % point lower to yield 8.95 per cent.

concerns about a credit crunch

Companies continued to release their quarterly earnings yesterday. Among those reporting yesterday was Time-Warner which fell \$1% to \$92% after it announced a net loss of \$51m in the first quarter, mostly due to interest expenses related to Time's acquisition of

Warner Communications.
McDonnell Douglas slumped \$3% to \$51% in the wake of news after the market closed on Friday of a 98 per cent plunge in net income in the

by an accounting change.
Storage Technology added
\$1% to \$22% on a favourable
reaction to news of operating
net income in the first quarter
of 34 cents a share up from 6

of 34 cents a share, up from 6

\$14% after the company said

that it expected to report net income of 8 cents to 15 cents a

share compared with 33 cents a

share a year ago.

Merck fell \$1 to \$73% after
the company said that it proposed to make prescription
drugs available to Medicaid

patients at lower prices.
On the over-the-counter mar-

ket, Digital Microwave col-

lapsed \$13% to \$14% after the company's statement late on

Friday that it expected its fourth quarter profits to be much lower than the 28 cents a

The composite index, which

had been down about 25 points

earlier yesterday and fell 54.99 on Friday, lost 11.44 to 3,344.07.

Declines outnumbered advances 476 to 180 and vol-ume of 22.67m worth C\$284.3m was down from Friday's 30.66m

shares worth C\$441.7

share it earned a year ago.

Canada

Handleman slumped \$3% to

cents a share a year ago.

Frankfurt falls after monetary union move

POLITICAL and economic concern about the price of German monetary union pushed Frankfurt down 2.5 per cent, and had a domino effect on and had a domino effect on other bourses with the excep-tion of Spain, writes Our Mar-kets Staff. Zurich was closed for a local holiday. FRANKFURT suffered its

biggest one-day decline since January on the news that the Government planned to convert East German Marks into D-Marks at a more favourable rate than the Bundesbank had proposed. There were also fears of growing militancy by IG Metall, the powerful metalworkers' union, which is seeking higher wages and shorter

The DAX fell to a low of 1,832.38 before closing 46.83, or 25 per cent, down at 1,837.50, its biggest drop since January 16 when it fell 2.9 per cent. The FAZ, calculated at midsession, fell 16.84 to 781.91. Turnover rose to DM5.9bn from DM5.1bn

Daimler led the market lower, dropping DM39.50 to DM858.80 after several newspa-per articles about its 1989 earn-

SHARE prices in Toronto continued the declines registered over the past two weeks but yesterday's drop was not as severe, with trading slow. SOUTH AFRICA

GOLD STOCKS fell further in Johannesburg yesterday as political and economic worries continued to weigh on the

market.
Trading was mostly thin.
The JSE Gold index declined
46 points to a preliminary
close of 1,762, while the overall index fell 60 to 3,033.
Among gold shares, Southvaal dropped R7 to R154 and
Randfontein lost R2.25 to
R21.25. Diamond stock De
Reers eased R1 25 to R84 and

Ten of the 14 sub groups were lower, with an index decline of more than 1 per cent for mining issues. Consumer products shares were off 0.94 Beers eased R1.25 to R84 and platinum miner Rustenburg

1990 ings. It was the most actively traded stock, with 750,092

shares changing hands. One magazine, Manager, reported that Daimler's 1989 reported that Daimler's 1989 operating profit had been cut in half to DM600m last year. Another magazine, Der Spiegel, said operating profit had fallen 90 per cent to DM1bn from DM1.4bn, because of a poor year for its auto and electronics divisions. Daimler, which does not publish operating profits, denied the reports.

West Germany

DAX Index

1850

The company announces group profits on May 15.

A report in the Stuttgarter Nachrichten newspaper that Mr Edzard Reuter, Daimler chairman, had said the company would lock out workers if the IG Metall struck at its factories, also damnened sentitorles, also dampened senti-

ment. After the market closed, the union said that it would stage warnings strikes at two Daimler plants next Monday. Fears that the Bundesbank would soon tighten monetary policy hit the banks, with Deutsche falling DM23 to DM764 and Dresdner losing DM9.50 to DM411.50. Siemen fell DM16.50 to DM746.50.

Against the trend, Feld-mühle Nobel rose DM5 to DM530 after announcing a one-for-seven rights issue.

PARIS began the new

monthly account with a sharp decline after finishing the April account at a record. Profit-taking and the taking of positions at the start of the account pulled the CAC 40 index down 39.55, or 19 per cent, to 2,089.77, after its 32.20-point rise on Friday. Declines on Wall Street and in Frank-

Bucking the trend, Eurotun-nel gained FFr1.90 to FFr55.75 after saying that it planned to raise up to £2.5bn from banks and shareholders to finance the Channel tunnel project, and high-technology stock

Thomson gained FFr49 to FFr1,239. Overall turnover was estimated at FFr3bn.
MADRID retained the
strength it showed late on Friday on the news that the Government had given Banesto tax relief worth Pta19.2bn. The general index gained 4.23, or 1.5 per cent, to 282.30 by the end of the pit session, silpping to 281.12 in continuous trading. Banesto rose Pta240, before closing at Pta4.200, up Pta50, in the centinuous session.

the continuous session.

MILAN fell in sympathy
with Frankfurt in dull trading.
Volumes were expected to
remain low before Wednesday's Liberation holiday and as

the May local elections drew near. The Comit index lost 8.12 to 697.24. Telecommunications stock

Stet fell Li80 to L5.550 and Ofivetti dropped Li38 to L7.215, easing to L7.185 after hours.

AMSTERDAM followed Frankfurt lower in quiet trade and the CBS tendency index dropped 22 to 117. Among the multinationals, Unilever certificates fell F13.20 to F1 143.40 as cross lation that the first own. speculation that its first quar-ter earnings would disappoint became more widespread, and Philips lost 90 cents to F1 39.20. Transport group Nedlloyd continued to fall after its disappointing results last week, easing F1 2.20 to F1 91.50.

STOCKHOLM saw the free B

shares in building and cement company Euroc gain 15 per cent, up SKr30 to SKr230, on speculation that a planned bridge between Sweden and Denmark, announced by the Swedish Government on Friday, could lead to huge profits as Euroc owns the land on the Swedish shore.

The Affärsvärlden General shares in building and cement

The Affärsvärlden General index was steady at 1,172.4 on low turnover of SKr205m.

Caution ensures a tight rein on trading

Tokyo

THE MARKET began the week on a dull note yesterday, with professionals unable to lend support at the end of the month's trading and investors wary in the face of weakness on Wall Street. Share prices retreated in very quiet trading, writes Michiyo Nakamoto in

Tokyo.

The Nikksi average showed resilience in early trading, supported by firmness in the yen. But by mid-morning, the index went into reverse as buying fizzled out. After falling to a low of 29,520.63, it recovered some losses and closed down 156.37 at 29.670 no The day's high was at 29,679.07. The day's high was 29,953.41. Declines outpaced advances by 583 to 357 while 169 were unchanged.

Turnover slumped to 390m shares, down from 700m on Friday. The broad-based Topix index lost 12.96 to 2.201.20 and in London trading, the ISE/ Nikkei 50 index eased 1.21 to

This sluggishness is normal

at the beginning of the week, particularly as trading for set-tlement within the month winds to a close. Today is the last day of trading for settle-ment in April. Concern about

ment in April. Concern about inflationary signs in the US contributed to cautiousness.

None the less, market sentiment was said to be showing signs of improvement, "The fear that after a rise, the market would see a bout of selling — is receding," said Mr Masami Okuma at UBS Phillips and Drew Securities.

and Drew Securities; Profit-taking took its toll on recent winners. Isuzu, the auto maker, was second in volume with 17.8m shares and lost Y15 to Y995. It had been bought on

to Y995. It had been bought on news of a large capacity bettery developed by Isuzu.

TDK, the magnetic film maker which had been pursued on good earnings and its parts production for high definition talevision, fall Y90 to Y6,810.

Buying focused on heavy industries, with Sumitomo Heavy Industry a favourite. At the top of the volumes list with 19.8m shares, it closed up Y10

at Y955. Enthusiasm for Sundtomo stemmed from news that it had won contracts for its double-hulled tankers. Mitsut-Engineering and Shipbuilding, third in volume with 16.6m shares, gained Y10 to Y940.

Share prices in Osaka eased for the first time in four trad-

ing days. The OSE average dipped 129.36 to 31.786.22. Vol-ume declined to 19.7m shares from 46.6m on Friday.

Roundup

US for USALGAM.

TOKYO'S weakness and several holidays this week kept investors in the Pacific rim markets close to the sidelines.
HONG KONG edged lower after leat week's big gains, with utility and property shares bearing the brunt of the downturn. The Hang Seng index lost 10.44 to 3,056.88 and turnover declined to HK\$1.33bm from HK\$1.55bm on Friday. from HK\$1.55bn on Friday. New World Development gained 10 cents to HK\$11 on news that it had agreed to sell 17 of its Ramada hotels in the

over. Trading was expected to remain lacklustre before Thursday's holiday. The Straits Times industrial index fell 15.95 to 1,504.61.

MetaLock, the engineering group, eased 6 cents to \$\$3.04 after a block of 23.99 per cent. worth about S\$17.5m out of a

incentives and fell in thin turn-

total market turnover of S\$81m yesterday, was crossed at TAIWAN reversed early losses to end higher on late bargain-hunting. The weighted index, which rose 73.54 on Saturday, added 62.70 to 9,428.63.
AUSTRALIA fell for the third consecutive session,

depressed by weakness in Wall Street and Tokyo and a firm domestic dollar. The All Ordi-naries index fell 8.9 to 1,483.4. SEOUL started late because of a computer failure, ending lower as rumours that the Government planned to slash taxes on stock transactions to 0.2 per cent from 0.5 per cent were not confirmed. The composite index fell 5.64 to 774.40.

Spain picks up as inflation slows

WARVETS IN DEDGOSOFTIVE

By Antonia Sharpe

ETTER-than-expected Spanish inflation figures for March last week triggered the first serious gains on the bolsa since the general elections late last year. Across the Atlantic, bowever, Toronto was pulled lower by poor cor-porate results from the exportoriented forestry product com-

Based on the FT-World Actuaries indices, the Spanish bolsa rose 4.4 per cent last week in local currency terms, narrow-ing its decline since the start of the year to 8.26 per cent, com-pared with a fall of 16.25 per cent by mid-April Investor confidence was bolstered by the small 0.4 per cent rise in March consumer prices, which took the annual rate down to 7.0 per cent from 7.3 per cent in Hughes at Nikko Securities. Signs of a recovery by banking stocks, which had underper formed since last summer because of high-street rivalry over interest-yielding current accounts, also lifted the mar-

Madrid's recovery was accompanied by increased volumes. Daily turnover reached Pta19.8bn (\$185m) on Friday, a level not seen for six months, compared with daily volumes of between Pta8bn and Pta10bn (\$74-93m) in the first quarter. International investors are looking around for alternatives to West Germany and France, and Spain seems a natural pro-gression," says Mr Hughes. Germany fell 1.15 per cent last week on concerns about the political and economic consequences of monetary union while France, which reached record highs, rose 0.87 per cent, taking its gain over the last four weeks to 7.39 per cent.

Sweden was the other Euro-

per grouping

Austria (19)

Australia (81)

MARKETS IN PERSPECTIVE												
	5.0	20 to 10		,	S charge double !	in (15 6						
	Y Week	# Whole	1.Yes	Stort of 1980	Start of 1996	Start of 1989						
Austria ,,	- 1.68	-2.77	+ 101.51	±48.46	+47.13	+49.2						
Belgium	+0.05	-0.02	-2.86	-6.34		-4,4						
Denmark	-0.17	-4.49	+ 23,00	- 0.01	+ 1.07	+2.5						
Finland	- 1.70	-6.48	-17.36	-1.40	-1.15	+0.2						
France	+0.67	+7.39	+22.13	+4.22	+4.84	+ 6.3						
W. Germany	-1.15	-2.44	+36.91	+6.77	+ 5.48							
ireland	-0.04	-1.22	+14.72	+ 1.03		+3.3						
Italy	+0.74	+4.97	+10.72	+0.97	+ 1.81	+3.2						
Netherlands	+0.61	-0.40	+4.20	-3.43	-4.24	-28						
Norway	0.30	- 5.82	+13.46	+13.02	+12.15	+ 13.7						
Spain	+4.40	+7.09	-8.61	-8.26	-7.04	-5.7						
Sweden	4 4.00	+4.88	+ 15.49	÷3.09	-3.96	-2.5						
Switzerland	-0.83	-0.79	+8.10	-6.77	-4.91	-3.5						
UK	-1,44	-4.38	+3.82	-9.73	-9.73	- 8.4						
EUROPE	-03	-0.73	+11.37	-3.02	-3.93	-1.8						
Australia	- 0.55	-4.88	+6.71	-8.89	- 12.53							
Hong Kong	+2.53	+2.02	-3.08	+8.15	+6.80	÷8.3						
Jepan	+4.15	-3.19	- 12.56	-24.03	-31.74	-30.7						
Melaysia	-2.10	-8,44	+21.42	-6.09	-8.09	-6.7						
New Zealand	+ 0.68	+3.06	-277	-10.80	- 13.5 9	-12.3						
Singapore	-0.97	- 5.04	+ 19.54	+4.68	+4.59	+6.0						
Canada	-5.22	-7.78	-8.50	-13.33	-14,84	- 18.6						
USA	-2.76	-1.08	+7.74	-5.22	- 6.56	-5.2						
Mexico	+2.75		+ 172.61	+31.94	+24.65	+26.4						
South Africa	-0.80	-2.26	+25.02	+4.89	-7.57	-6.2						
WORLD INDEX	+0.17	-1.90	+0.30	-12.38	- 16.34	-15.1						

pean market to show healthy gains. Stockholm rose 4 per cent on the week, lifted mainly by investor demand for Ericsson, the telecommunications company, and Astra, which makes the anti-ulcer drug,

investors close to the sidelines or in short-term paper," says

MONDAY APPEL 29 1991

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood

Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Gross Div. Yield

Canada, which has fallen 13.33 per cent since the start of the year because of record high interest rates and a strong Canadian dollar, dropped 5.22 per cent last week on confirmation that these factors were hurting corporate earnings. The poor results from CP For est, Fletcher Challenge and Noranda Forest have kept

Mr Mark MacLean at BZW madiau Securities. Friday's decision by three ding banks to raise their prime rate to 14.75 from 14.25

per cent in spite of a smaller rise in consumer prices in March was likely to make Toronto even more vulnerable, he adds. Canada's fall com-pared with a 2.76 per cent decline on Wall Street, where much better than expected first quarter results from IBM were not enough to offset concerns about inflation and tighter

monetary policy.

An unexpected turnaround by the yen and a perception that large capitalisation shipbuilding and trading compa-

121.99 246.47 133.95

nies had been oversold enticed investors and dealers back into the Japanese market. It rose 4.15 per cent on the week, reducing its fall over the past month to 3.19 per cent. While sentiment had improved and bargain-hunting by foreign and domestic inves-

tors was evident, the market was still expected to trade in a narrow range in the coming weeks. "The major players are likely to remain on the side-lines shead of the Goldan Week [series of holidays], the release of corporate earnings results and inflation figures next month," writes Tarek Fadial-lah at Nomura International. In the Pacific Rim, Hong Kong was relieved that the Easter weekend did not wit-ness any demonstrations on the first anniversary of the start of the civilian pro-democracy movement in China. The market, which rose 2.5 cent on the week, breached the important 3,000 support level on the Hang Seng index, mainly thanks to heavy over-

seas buying.
While Hong Kong had been a
beneficiary of the depressed
trading conditions of other
regional markets, such as Singapore and Malaysia, notes Mr Nick Peacock, at Citicorp Scrimgeour Vickers Interna-tional, the fundamentals in Hong Kong had not changed anguen to inchiev and hanged enough to justify further sig-

nificant advances Mr Peacock points in partic-ular to the political situation in the British colony and the poor outlook for the property sector, due to the excess supply of

commercial property.

Malaysia and Singapore conthrued to slip, falling 2.10 per cent and 0.97 per cent respec-tively, as volumes contracted for the third consecutive week, with the result season largely over and in the absence of

DOLLAR INDEX

132.32 122.34 135.91 136.26 179.03 156.05 122.35 87.47 130.41 147.42 83.55 166,07

All these Bonds having been sold, this announce-



PETROLEOS MEXICANOS

DM 100,000,000 111/4 % Bonds due 1995

11.

WESTDEUTSCHE LANDESBANK

GIROZENTRALE

COMMERZBANK AKTIENGESELLSCHAFT

DEUTSCHE BANK AKTIENGESELLSCHAFT

BAYERISCHE LANDESBANK

BAYERISCHE VEREINSBANK

DAWA EUROPE

GIROZENTRALE

AKTIENGESELLSCHAFT

CSFB-EFFECTENBANK AKTIENGESELLSCHAFT

(DEUTSCHLAND) GMBH

DEUTSCH-SÜDAMERIKANİSCHE BANK AG

DG BANK -DRESDNER BANK GROUP- DEUTSCHE GENOSSENSCHAFTSBANK

HESSISCHE LANDESBANK

MERRILL LYNCH BANK AG

MORGAN STANLEY GMBH

-GIROZENTRALE-NOMURA EUROPE GMBH

SALOMON BROTHERS AG

SCHWEIZERISCHE BANKGESELLSCHAFT

(DEUTSCHLAND) AG

VEREINS- UND WESTBANK

SUDWESTDEUTSCHE LANDESBANK GIROZENTRALE

AKTIENGESELLSCHAFT

132.97 261.98 146.99 131.21 245.41 131.71 162.92 -0.6 -2.7 -0.3 -0.9 -1.4 -2.2 -0.6 -1.1 -0.3 +0.3 +0.3 +0.9 -1.7 +1.0 +0.0 +0.0 -1.7 +1.2 271.89 147.77 131.44 248.32 183.54 165.91 132.34 126.68 136.67 213.51 189.76 63.18 227.33 187.59 184.26 183.76 183.76 183.76 183.76 231.10 127.05 110.31 215.37 110.55 145.54 113.75 121.64 93.07 135.07 220.44 1250.80 119.57 57.54 186.82 125.18 188.87 83.86 130.12 130.12 130.12 222.33 119.32 147.60 116.80 114.70 168.07 90.68 123.06 190.75 363.59 124.06 57.39 203.71 225.10 121.15 150.40 119.96 115.02 170.00 123.89 193.55 373.03 126.89 57.27 206.07 170.41 167.03 139.36 236.69 130.39 141.69 122.05 112.24 181.49 91.85 124.40 208.65 324.53 60.31 202.34 179.70 130.83 180.57 133.89 88.73 143.63 143.63 finland (26) 711.51 147.58 116.17 128.94 186.35 94.13 136.32 223.54 121.19 57.48 202.18 162.39 169.31 123.99 169.31 183.52 133.72 135.58 128.93 129.61 165,52 100.09 Hong Kong (48). 103.73 197.26 245.32 412.02 145.66 75.36 245.90 199.38 251.39 165.19 206.95 E81.12 164.31 145.40 135.84 210.55 401.34 137.27 Norway (24)..... Singapore (26).... South Africa (60). 168.52 164.11 139.91 Spain (42)...... Sweden (35)..... Switzerland (65) 185.94 90.60 143.63 133.99 169.58 22.24 131.72 122.90 168.45 82.08 130.13 121.39 United Kingdom (306)....

69,97 196,18 152,70 144,71 154,39 157,39 76,02 146,00 125,52 124.47 161.90 134.99 191.38 193.35 119.40 116.52 131.27 -1.2 -0.5 140.18 189.48 138.15 130.14 135.24 135.06 129.32 138.52 127.07 171.76 120.50 155.36 181.56 157.17 128.06 104.50 127.45 156.33 -1.4 125.16 170.06 122.99 135.57 185.01 124.63 130.35 131.02 138.15 187.71 146.66 3.62 1.95 0.95 2.04 3.60 2.76 5.22 2.11 2.36 2.61 3.67 201.89 192.75 174.18 145.78 136.21 139.32 173.77 -0.7 -0.9 -1.1 -1.2 -0.5 -0.9 125.42 125.23 122.59 122.43 117.23 125.57 135.31 156.82 -- 0.6 -- 1.0 122.50 123.95 132.43 117.99 115.96 130.11 121.15 120.37 Europe Ex. UK (683). 124.81 Pacific Ex. Japan (207)... World Ex. US (1843)...... World Ex. UK (2074)...... 128.29 137.21 134.19 116.23 124.30 126.77 131.30 130.60 131.42 131.07 129.28 -- 1.0 -- 1.0 -- 1.1 122.88 123.39 124.78 -1.0 -1.0 121.57 135.56 132.69 162.00 144.0E 154.73 195.94 144.24

-1.0

2.62

155.41

123.66

162.05

132.25

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatiWest Securities Limited, 1987 itzerland (Zurich market) closed April 23.

-1.0

135,01

The World Index (2380)...

mon FINANCIAL TIMES



Airlines are battling to win a bigger share of the lucrative business travel

market by revamping their executive and first class services. But congestion in the air

and at airports is casting a cloud over the future of business air travel. Paul Betts reports

Defying old assumptions

COMMERCIAL aviation has cent compared with the same traditionally been regarded as month in 1989. Most other a barometer of economic activity. It usually feels the chill of an economic downturn or the warmer air of a recovery sooner than other industries and no more so than in the business travel sector.

Accounting for between 20-25 per cent of world air traffic, business air travel, either with scheduled airlines or through company owned or leased air-craft, has tended to be a function of economic development, international trade and growing industrial globalisation. When the world stock markets crashed in 1988, the decline in the passenger load factor on Concorde supersonic flights across the North Atlantic was almost a mirror image of the fall in the leading stock market

Quite surprisingly, however, all the old assumptions have been proved wrong this year. Although economic activity has been slowing down, pas-senger traffic and especially business travel has held up more strongly than expected. British Airways, for exam-ple, reported record passenger traffic growth in March with

sengers increasing by 11.5 per

international airlines have also reported continued sustained growth in traffic and demand both on long distance and

short haul routes. The market has also been strong in the corporate aircraft sector. "After quite a long period of stagnation, the mar-ket is buovant" acre 32ket is buoyant," says Mr Gor-don Wilson, vice president of marketing at British Aerospace's corporate aircraft division. "But the market in the non-American world is devel-oping faster than in the US," he adds.

All the latest forecasts point to better than average growth for air transport in the coming years. The International Air Transport Association (Iata) expects international schedule passenger traffic growth to reach 8 per cent or more this year, settling down to 6.5 per cent, and then rising to 7 per cent over the next three years.

Asia and the Pacific will remain the fastest growing region during the next decade offering significant opportuni-ties for expansion for both business and leisure travel in and out of the region. Iata expects passenger traffic to show annual average increases

of 11 per cent in the North Pacific area and of 9 per cent in south-east Asia and the south-west Pacific. For their part, Europe and North America are forecast to show very respectable growth of 6 per cent on average over the next three years.

The biggest gainer from these encouraging trends is likely to be not so much the business market but the lei-sure travel sector. Although the charter market is going through a rocky patch, all aerospace analysts concur that the potential for long term traffic growth remains impressive.

A recent study by the European Airbus aircraft manufac-turing consortium said that even in mature markets like North America and Europe the esire to travel by air remains

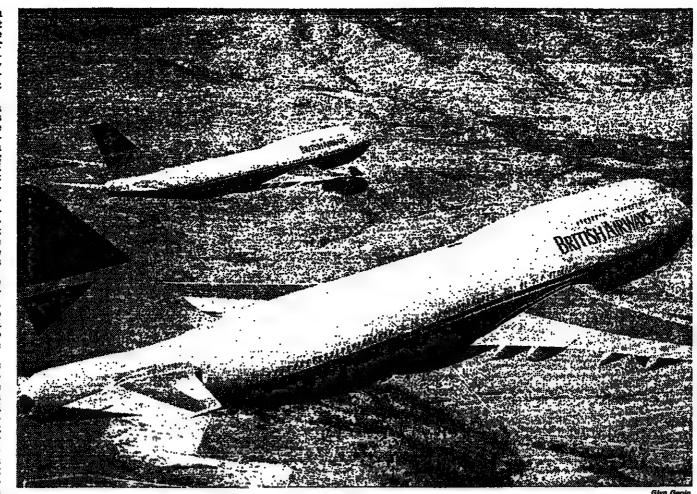
high.
But although the leisure side is likely to take an ever increasing share of traffic, business travel will continue to provide airlines with high yield revenues which subsidise to some extent the high volume low fare economy class.

The significance of business travellers to all airlines is eloquently reflected in the fierce competitive battle carriers have been waging all round the world to attract business-men to their executive or first class services. Pan Am, for example, recently offered pas-sengers flying first class from the UK to the US a money back guarantee if they felt the ser-vice was not up to scratch in an effort to win back some of the high yield business it had lost to other competitors.

The competition for business and first class passengers has been intensifying in recent months with airlines investing huge sums either to revamp their existing services or to launch new services. The bat-tie has involved both long distance and short haul services. In Europe, the gradual but steady process of liberalisation in air transport coupled with the approach of the Single Market in 1992 has created new opportunities for airlines and provided a further stimulus for business travel on shorter routes. Airlines have thus been jostling for position in an increasingly open European market with some, like Luf-thansa, reviving a first class service on short haul routes and others upgrading their

In the long distance market, the predominant trend has been to provide non-stop services, using new aircraft with extended range performance following the introduction in many leading airline fleets of the new Boeing 747-400 jumbo or the Bosing 767 extended range twin engine airliner. Air-

business classes to try to give the businessman a better deal.



BUSINESS AIR TRAVEL

lines are also investing in a new generation of wide body long distance aircraft which the three main airframe manufacturers are now developing. These include the Airbus A330/ A340 family, the new McDon-nell Douglas MD11 trijet which is expected to be followed by a larger derivative called the MD12; and the planned Boeing 767X twin engine wide body

Schedule, speed and punctuality are increasingly emerging as the keys to success in the fiercely competitive long distance and short haul business air travel market. Comfort, especially leg room, is another important component. But all the airlines are continuing to struggie with the dilemma of accommodating all the differ-ent requirements of business class passengers, who often claim they are not really get-ting full value for the money

they are paying.
"The problem is that some business travellers want to work in flight, others want to relax and sleep, and others want to have a good time. explains one senior international airline official.

The airlines also defend the hefty price of executive and first class travel, arguing that the businessman pays a pre-mium for a better service and the flexibility of no ticket restrictions. This is at the heart of the problem of over-booking. Many businessmen book themselves on several dif-ferent flights on any given day and end up taking only one. The sirlines claim that if they did not protect themselves against all the no shows on a flight by over-booking they would lose an enormous

amount of money. BA, for example, estimates it could lose as much as £75m in revenues from full fare paying passengers not showing up for a flight. "An airline seat is not like a can of beans which you can keep on the shelf if nobody buys it. Once the aircraft has

taken off, the empty seat is lost," remarked a BA execu-

The battle for business travel is not only being fought in the air but also on the ground. Airlines have been multiplying new facilities at airports because with conges-tion and delays passengers are spending more and more time on the ground.

In the old days, passengers drank a cup of coffee and watched TV while they waited for their flight in airline execu-tive lounges at airports. Today they can send fax messages, make international telephone calls, check stock market prices from lounges which have also been converted into business centres, Airlines also offer valet car parking services at airports and much else.

Congestion at airports and in the air, especially in Europe, is casting a cloud on the otherwise encouraging prospects for business travel and air transport in general. All the airlines

agree that urgent action must be taken to improve air traffic control and airport infrastructures to avoid a crisis developing by the end of the decade. A report by the Stanford Research Institute for Iata warns that air transport in western Europe could be brought to a standstill in the late 1990s because of conges tion and urges an international conference of governments, air-lines and aviation organisa-

The issue of airport conges-tion is not only affecting schedule airlines but also owners and operators of private company aircraft. Some airport and civil aviation authorities are considering restricting access to congested airports like Heathrow to small business jets. These moves are provok-ing alarm in the corporate jet sector at a time when the market for mid-size and smaller business jets has been enjoying

a relative recovery.

tions to come to grips with the

ANATHIS SURVEY Ground improveme Supersonic travel -Changing patterns in narket . The increasing use of private aircraft . leading airports.....4 BAe 125 executive jet 4 US-Soviet business jet project

ondon City Airport. **High-tech trends** Airline shuttle service.. 8

The market for the bigger corporate jets is already suffer ing because industry in general is becoming leaner: "Business jet owners and operators are going downsize for middle range corporate jets," says Mr Wilson of BAe. And if an economic downturn persists, it is likely to start having an impact on the middle and smaller end of the market. As a sign of the restructuring now taking place in the business jet sector. Chrysler recently decided to divest itself of its Gulfstream aerospace interests while Lear Jet has just been taken over by Bombardier of

In the longer term, super-sonic business air travel is expected to expand. Concorde has turned into a big success at the top end of the business air travel market and all leading aircraft manufacturers believe that a successor to Concorde will be developed at some stage in the next century. Apart from the US and European aerospace industries, Japan is now taking an active interest in the development of a second generation supersonic sircraft. The Soviet Union is also interested and has started preliminary studies to develop jointly with Gulfstream a supersonic business jet.

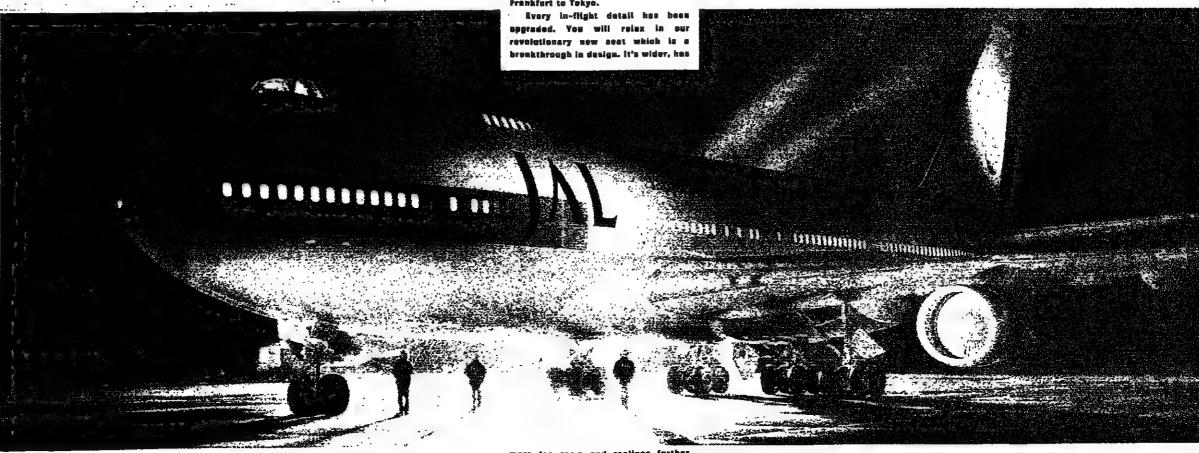
But before the next generation of supersonic passenger jets appears, which itself is bound to involve some form of broad collaboration between all leading airframe and sero-engine manufacturers, the industry is likely to see the development of a new breed of

wide-body jumbo aircraft.

Boeing, McDonnell Douglas
and Airbus are aiready all working on projects to stretch their largest aircraft in preparation for what is likely to be the advent of the new double-decker jumbo airliner.



JAL has introduced an entirely new class of service. (t's available on sonstop flights from London, Paris, and Frankfurt to Tokyo.



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than ever before. With a 2-3-2 seeting arrangement you'll notice there's one fifth more space in the cabin overall.

Together with some unique little touches - a new menu of European



Business class

Five ways to pick the best

JAPAN Airlines this month re-launched its international business-class services, while Air France re-vamped its medium-haul executive class

Last month, a couple of other airlines did the same to their business classes; over the next few months there will probably be several more. Qantas has announced plans for a re-launch later this year. Once ignored by the airlines, the business traveller has become the important element in the profitability of international airlines.

It was British Airways' decision, two years ago, to re-launch its international and European business class operations, at a cost of 225m, which effectively sparked off the latest round of updates by

major competitors.

Now BA faces the problem of keeping its Club World and Club Europe business class brands looking fresh against the new competition BA says. the new competition. BA says it is constantly improving the facilities that its Club classes have to offer, although there are rumours of another re-think on its European services. Even if BA's Club classes have their critics in some quar-ters, the airline's popularity

with travelling executives was shown by its being voted best international airline by readers of Business Traveller magazine in its last poll. The prestigious US magazine Aviation Week also recently voted BA "Best Airline on the Atlantic".

ling executives is: how to choose the best business class from the range on offer? Choice usually depends on at least five factors: ■ Space: The chief justifica-tion for the higher fares that the traveller is getting more space, either in terms of leg-room or seat-width. This, however, generally applies to international business classes; short-baul business class travellers are often left with the same sized seets as economy

Virgin Atlantic offers seats with probably the largest pitch: 55 inches in its Upper Class seats. These are typically the same size as would be found in first class on other airlines. Virgin, however, eschews a first class service in favour of just business and

conomy classes. Other seat pitches in business class include BA's 40 inches, Pan Am's 37 to 38 inches, and Continental's 38 inches. # Food: Boredom on long

flights means that some executives will consider the quality of the food important when choosing an airline. American Airlines has a

strong reputation for its food in-flight, and came top in a recent "blind" testing carried out by Business Traveller magazine. Singapore Airlines was second and BA third.

Service: This is the most intangible factor - but, equally, the most important reason for many. Airlines operating to the Far East, such as Cathay Pacific and Singapore Airlines, have established a well-deserved reputation for service BA also improved its service levels with its well-pub-licised "putting people first"

staff training programmes.

Many travellers, moreover, prefer the policy adopted by some US airlines in giving the siewards and stewardesses jobs to long-time staff. Mature cabin staff, they believe, give better

in-flight service. Amenities: The ubiquitous

toiletries and amenities kit, offered by most airlines, varies considerably. Delta Atrlines is regarded as having one of the best, while several other well-known striines kits leave much to be desired.

Some airlines, however, offer alternatives. Virgin, for example, provides a torch or pen, while Canadian Airlines International gives a selection of leather or executive gifts.

•Routes: Choice of an airline

often has as much to do with its route patterns as in-flight services. BA, for example, is nicking up business to the west coast of the US by its direct flight to San Diego. It is the only international carrier to offer a direct route to San Diego: others require travellers to change planes at one of the US "hub" airports.

One feature of the new-style business classes is the willing-ness of airlines to take note of customer requirements. JAL for example, asked passengers on its international flights for comments. Another source was its "Helio Line", a consumer response system set up in Japan, in November 1987, when the airline was completely pri-

The key question for airlines, however, is how far busi-ness class development can go in the 1990s? One way forward is clearly the Virgin route -scrapping first class and providing significantly extra leg-room for business passengers in an expanded cabin.

What at present prevents many sirilines from adopting this policy, however, is not only the loss of prestige by not having a first class cabin but also the loss of revenue seats at the front end of the plane typically cost twice as much as business class fares.

Yet, equally, airlines are aware that increased cost-con-sciousness by companies towards business travel may make them look for alterna-tives. BA, for example, is experimenting with giving full-fare economy passengers on its London to Houston and Dalias/Fort Worth routes who are mainly business trav-ellers — greater facilities to differentiate them from dis-

Most airlines, however, are fully committed to making evo-lutionary rather than revolutunionary rather man revolu-tionary moves. Ways of giving-travelling executives greater control of their environment, for example, will be increas-ingly sought.

counted economy travellers.

Perhaps the most significant Perhaps the most significant advances in business class services, however, will not be made in the air but on the ground. The airline that can really offer the business executive a better way of getting to the airport and checking-in will set the pace for business air travel by the late 1990s.

SUPERSONIC FLIGHT

Way ahead by a long nose

a reality for captains of industry, rock stars, and others with access to money for the past 21 years ever since Concorde first entered commercial service.

Even after all this time the sight of Concords sitting on a runway waiting for take-off can still lead to a craning of necks from even the most sophisticated of business travellers sitting in sub-sonic

planes.
Yet Concorde is still perceived largely as an expensive status symbol for the egocantric individual with wealth be it personal or corporate rather than the business tool which BA (and to a lesser extent Air France) would

rather have portrayed.
Concorde's real strength is
its speed. Flying at supersonic
speeds - at twice the speed of
sound - and at twice the height of normal planes means that on the New York route, for example, executives can leave London (on BA001) at 10.30am and arrive at 9.20am in New York ready for a day's

The flight time of three anda-half hours, moreover, is little. a-half hours, moreover, is little more than the equivalent of a train journey within the UK; and the lower cabin pressure in Concorde than in a jumbo means that passengers strive less dehydrated and unconfortable than is often the case. Time is also saved on, that

ground; check-in time is 30 minutes before departure (instead of the usual hour for business class passengula) and with a maximum of 100 reason gers there are fewer processing delays on both departure and arrival Arrival and departure

arrival. Arrival and departure times at New York's JFK International surport are also scheduled to avoid the gush-hours and other sub-conte flights at BA's own terminal.

So conscient is BA' of its speed advantages that it offers a special "awayday" fare at a discount to the arrival New York return fare of \$250 This package of flight to New York and back on the same day is aimed at executives who need to need to cleagues face to face; some four hours of meeting time is available and the fare includes a conference room at

time is available and the lare includes a commence room at BA's terminal.
But even Comcords's speed cannot help it in all circumstances. The return flights from New York to London are often less crewded because the time difference works against business—travellers even

IS SUPERSONIC travel worth though the elapsed time is broadly the same. Thus the same and the same is broadly the same. Thus the same and the same is broadly the same. Thus the broadly the same is broadly the same. Thus the broadly the same is broadly the same is broadly the same. Thus the same is broadly the same is broadly the same is broadly the same. Thus the same is broadly the same is broadly the same. Thus the same is broadly the same is broadly the same. Thus the same is broadly the same is broadly the same is broadly the same. Thus the same is broadly the same is broadly the same is broadly the same. Thus the same is broadly the same is broadly the same is broadly the same is broadly the same. Thus the same is broadly the same is broadly the same is broadly the same is broadly the same. Thus the same is broadly the same is br of JFK to London does not arrive in London until 6.20pm. The 1.45pm flight is more popular, since it enables a morning in the office, but does not reach London until 10.25pm

local time. The result is that many travellers might choose to fly First Class overnight and get a night's sleep in preference to

losing a day in the office. In fact, apart from its speed and style, Concorde compares unfavourably with first class and many business class ser-vices. Concorde's seats may beleather-covered but they are small and rather cramped in comparison with the space most business travellers are used to in business class.

The food and service offered on Concorde is, not surpris-ingly, of a high quality, but there are limits to what can be achieved given the space limitations on the galley and staff. Many frequent Concorde flyers, for example, often decide to forgo eating on the plane, since they can be in Manhattan

for hmch. Yet BA remains committed flying its Concordes well into the early years of the next century. Apart from its New York service, it has regular scheduled services to Miamiand Washington and is starting a service to Toronto in June.

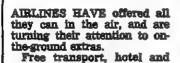
Air France only operates one service, from Paris to New York, at a return fare of BA however, is targetting its marketing effort towards

making more executives aware of Concorde's benefits to them. It often upgrades frequent business travellers paying full fares on busy sub-sonic flights on to Concorde, as well as offering special promotions from time to time. For example, last year it offered an automatic Concorde upgrade for Club World passengers booking three tickets to the US.
But even if such efforts

introduce a whole new generation of customers to Concorde, inevitably the day will come when the plane will finally have to be taken out of service simply because no new ones are being produced and there-are enly a limited number of spare parts available. When that happens the rock stars, exptains of industry and other sop executives will have to re-adjust to the slower-than-sound travel that most travel-lers take for granted.

Extras on the ground include...

Discounts and stopovers



car-hire discounts, leisure club access, free accommodation while awaiting a connection are almost the norm nowadays. For example, those who fly with Qantas from Heathrow or Manchester to Bangkok, Singapore or Australia, receive benefits worth between £100-200 programme. These include a free night at Heathrow's Excel-sion hotel (with dinner and breakfast) and a free chauffeur-driven car to the airport (within a 40-mile radius) if you fly first class, or one or the other perk if you're go busi-

ness class. If you plan to drive in Australia, you can take advantage of the deal the carrier has done with Avis: a 20 per cent dis-count on standard time and mileage car hire rates for Qantas' first and business class engers. And a Qantas firstor business-class passenger, staying at the Regent hotel. in Melbourne, can pay a special rate of A\$245 and stay in a deluxe room which would nor-

mally cost A\$350. If you're flying to South Africa or southern Africa on South African Airways, this carrier offers a 20 per cent dis-count off hotel rates in 14 destinations, and an upgrade to the luxurious Towers section of the Johannesburg Sun hotel if you book in advance in the UK. Stay at any of the Protea chain hotels, in South Africa, and receive a 25 per cent discount and 15 per cent off Budget and

mperial car rental. Generally, airline stopover ackages let you stay at luxury hotels for almost half price. Air France, for example, offers good savings in the Middle Rast and Asia through its Connections programme. All airlines tend to offer the best savings at their home base, where they have the most pur-

Chasing power.

UAE flag-carrier Emirates, for example, offers huge discounts in Dubai under its Emirates Holidays packages. Stay at the InterContinental hotel for 274.58 through Emiror at the Hyatt Regency for £44.30, rather than £87.93. Savings at the nearby resort hotel of Jebel All are even greater: £139-158, instead of £307-353, depending on whether you have a garden or sea view. Such stopover deals offer hidden savings, as usually they include return airport/hotel

transfers, service/tax and breakfast. For example, the deals Singapore Airlines offers in Singapore, are even more appropriate now hotel rates there have hardened over the last 12 months. Pass stay at the deluxe Pan Pacific hotel for just £35 per person per night, or in the first-class category Taipan Ramada for \$26 in a shared twin room. These deals are part of SIA's Singapore Stopover Holidays scheme and include full American breakfast, transfers, sightseeing tours, and discounts on

Avis car rental and at the In Europe, passengers who fly Dan-Air and rent from Europear become eligible for the airline's Link Drive car hire deals at UK airports and in Dublin, which are up to 50 per cent cheaper than compa-

table fly-drive prices.

Meanwhile Richard Bran-son's Virgin Atlantic airline pioneered the free Economy

class ticket (subject to availability) when travellers sample its Upper Class (business class) service — something that Emirates has since copied.

Dominant home-based airlines, like British Airwaya, are not over-generous in showering passengers with on-the-ground extras, but do pey lipservice to the idea by offering (until June, on a trial basis) free chauffeur drive for first-and business class passengers flying from Gatwick to Dubal, Hong Kong and New York): Hong Kong and New York); valet parking at Heathrow Ter-minal 4 (220 for first day, £15 for second, £10 for subsequent days) for all classes of passen-ger; and free helicopter trans-fer from New York's JFK airport to Manhattan if you're a first or Concorde passenger.

At a very minimum, most sirines provide the tranquil surroundings of a private lounge, although this is sometimes only open to airline club members or if, because of the pressure on space at major airports, the lounges are so small that they are just as chaotic as the general public areas. Oth-ers, like SAA's at Heathrow, offer showers, bathrobes, changing facilities, fax and secretarial services – though only for use by SAA first-class passengers and its Prestige club

Until new airports are built plans are under way at Paris, Amsterdam, Frankfurt, Munich, Brussels, five British airports and four Spanish cities - more lounge space will not become available. But as the competition intensifies, the

Editor, Business Travellar



Thei Airways International's flight kitchen, at Bangkok Airport, produces 20,000 meets a day

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A BREATH OF FRESH AIR.



BUSINESS AIR TRAVEL 3

A flying 'Orient Express' is slowly emerging as airlines continue to upgrade their services in the competitive long-distance market

Non-stop engine of growth

distance travel market to and from western Europe has been increasing rapidly in recent years, as more and more pas-

while much of this has been, and still is, business traffic, reflecting the growing signifi-cance of global export markets to west European commerce. and industry, a significantly increasing proportion of it is leisure traffic, reflecting the more ambitious travel patterns of holiday-makers and expanding ethnic communities. Both trends seem likely to continue, as world air passenger traffic is expected to double by the end of this decade to more than 2bn a year, and perhaps even dou-bling again by 2010.

sengers have been seeking to fly further - preferably non-

nose.

Much of this expansion has been, and will continue to be, made possible by significant improvements in engine, atr-frame and avionics (airborne electronics) technology. As a result of developments in these areas over recent years there has been a significant change in the pattern of air transport operations worldwide.

What in the days of the earliest four-engined jet airliners of the late 1950s and early 1960s were regarded as long-range routes - for example across the North Atlantic between western Europe and the eastern seaboard of North America - have now become, as a result of the technological dvances in aeronautics, comfortable, safe and reliable operations for medium-range

twin-engined airliners. Today, regular non-stop transatlantic flights between west European cities and North American are made with twin-engined Airbus A-300-600s and A-310s, or Boeing 757s and 76ls, under what is variously known as "Etops" or "Erops extended range twin-engined operations over water.

Progressively, as experience with such operations grows, the number of such flights is increasing. There are now several thousand every month on across the North Atlantic, and scross the Pacific between the US West Coast and Hawati.

127

widen the market for medium-range twin-engined airliners but also to extend individual airlines' own route expansion ambitions.

New types of medium-range airliner now under develop-ment will extend such operations even further. Such developments include the Air-bus twin-engined wide-bodied A-330, due to enter service in 1998, and which will be capable of flying up to 4.550 nautical miles non-stop with a payload of 835 passengers.

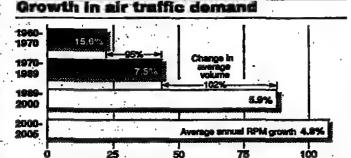
At the same time as the medium-range twins have moved into what was originally the preserve of the bigger four-engined airliners, the lat-

obliged to make one stop in the westbound direction against

prevailing headwinds.

The entry into service of the improved Series 400 Jumbo late last year, however, has changed that situation again, with non-stop operations in both directions now expanding as more 747-400s flow into the fleets of the world's leading

Looking further shead, even more significant long-range airliner developments are on the way. Airbus, the west European airliner manufacturoping its A-340 four-engined wide-bodied long reasons wide-bodied long-range airliner in two versions, the Series 200



ter have also expanded the frontiers of range and payload performance even further.

The best example has been the evolution of the Boeing 747 Jumbo jet, which since it entered service 20 years ago gers to fly to places that previously would have been impos-sible to reach at fares within

One result has been for an increasing number of airlines to operate longer non-stop flights, especially on some routes between western Europe and the Far East and south-east Asia - the fastest growing air transport region in the world.

The earliest versions of the 747 still required airlines to make refuelling stope between western Europe and south-east Asia and the Far East. But the emergence of the Series 300 version of the 747 in the late 1980s made it possible for air-The most significant results lines to fly non-stop eastbound capable of carrying 262 pas gers over distances of 7,550 nautical miles, and the Series 300, capable of lifting 295 passengers over 6,750 nautical miles. The first A-340 enters service with Lufthanse in Sep-

At the same time, McDonnell Douglas, whose DC-10 series of three-engined airliners did much to help extend both the medium and long-range capa-bilities of the airlines in competition with the Boeing 747, is now developing the improved MD-11 series of tri-jets.

Initially capable of carrying 293 passengers over more than 7,000 nautical miles, McDonnell Douglas is planning a stretched MD-11, carrying 368 passengers over 6,200 nautical miles. But it also has plans for an "advanced stretched" version capable of more than 8,000

nautical miles. Boeing also has ideas, as yet not revealed in detail, for fur-

and payload performance, for service towards the end of this decade. Such an aircraft could be targeted at the ultimate in long-distance non-stop operations, between the UK or western Europe and Australia, with a profitable payload.

The 747-400 has already achieved such a feat, albeit on a delivery flight with a very small navload. A decision to be targeted at the ultimate in

small payload. A decision to develop such a new 747 variant will depend upon airline mand, but several airlines are already showing interest. Because of the long-range

capabilities of both the Airbus A-340 and the McDonnell Douglas MD-II, both those manufac turers have been giving much thought to ways of making journeys more comfortable for

Airbus, for example, starting in effect with a clean sheet of paper in the design of its A-340, is studying the possibility of using lower-deck space in that aircraft for either a lounge area, where passengers could go to get a change of surround-ings, or for a more formal dining area. One idea is even to use the space for a small gym-

But the most obvious idea is to provide sleeping accommo-dation. Modules based on standard containers could enable the forward under-floor area in the A-340 to become a "flying Orient Express", offering very high comfort and privacy for

Looking even further ahead, much research is under way in the US, western Europe and Japan on a possible second generation supersonic airliner to replace the Concorde, with a range of more than 6,000 nautical miles and a payload of up to 300 passengers, against Con-corde's 3,000 miles and 100 pas-

However, much more work on both engine and airframe technology will be necessary before any design can be finali-sed. Moreover, such a development will be costly, and would require extensive international collaboration. Increasingly, the airlines want to see such an aircraft but on present estiwill emerge until after 2000.

Michael Donne reports on the need to overcome air congestion

Danger: crowded skies ahead

Tackling congestion on the ground at airports

and in the air is the number one priority for

the entire European air transport industry

THROUGHOUT western Europe, the battle for the increasing volume of business traffic has become much fiercer in recent years, as the overall number of passengers has shot up, and the business traveller, in particular, has become much more selective in his or

From a total of just over 400m passengers in 1988, Euro-pean short-haul air traffic is expected to double to about 800m a year by the end of this decade, and to triple to around

1.2bn a year by 2010. Much of this will be business traffic, which because it tends to pay the higher fares is much sought after by all the airlines to offset the rising percentage of lower-fare economy-class leisure travellers within the over-

As a result, all the leading European airlines have signifi-cantly improved the quality of services they offer to business travellers, ranging widely from better seating arrangements in flight, improved quality of meals and other in-flight cabin services, special lounges on the ground at airports, and even the provision of secretarial and other specialist services at air-ports if desired.

Every leading airline now offers a separate check-in facil-ity for business class travellers, and a separate section of the cabin to ensure some measure of exclusiveness in flight. These facilities are not always provided, however, as religlously as they might be, and there are as many opinions on business travel standards as

there are business travellers. But one complaint often heard is that while some airlines do make an effort to ensure that in-flight seating is maintained at a high standard such as keeping empty the middle of the three-abreast seating arrangement on Boeing 737s - on some late evening flights on busy days those mid-dle seats are filled. As a result, the airlines make more revenue but the business-fare passenger endures a lower stan-dard of in-flight comfort.

Also, the types of aircraft used can make a big difference to overall comfort - the European Airbus A-820s used by some sirlines have more comfortable business class seats than the Bosing 737s used by

Throughout the entire Euro-

pean airline industry, competi-tion is certain to become even more formidable with the anticipated introduction of more liberal regulations governing market access, capacity shares and fares levels in the European Community from January 1 1993.

The precise nature of these new regulations is still being discussed, and it is not yet clear whether airlines of countries outside the EC will also follow suit, although many in the airline industry believe that they will.

At the same time, the lead-

ing US airlines are already planning attacks on Europe through the 1990s, with the aim of winning bigger shares in a market that will match, if not exceed, that of the US itself in overall size.

Larger aircraft are also on the way - such as the twin-engined narrow-bodied Airbus

A-321, the stretched version of

the popular A-320 and capable of around 186 seats, due in ser-

vice in 1994, and the even big-ger 335-passenger wide-bodled twin-engined Airbus A-330, due

in 1993 - offering improved

the growth of competition is

the increasing strength of the smaller regional airlines, pro-

viding direct links between

smaller towns and cities

throughout western Europe as

well as connections from

peripheral points into the lead-ing hub airports.

ish Airways, are investing heavily in such operations (BA

has a significant stake in The Plimsoll Line which owns both

Brymon Airways and Birming-

ham European Airways; BA is

also developing its activities at

Birmingham, Glasgow and

finding these regional

operations more comfortable

and convenient than the main

trunk routes between hub air-

ports, many of which are now becoming increasingly con-

The pattern of short-haul

Many business travellers are

Manchester.)

Some airlines, such as Brit-

ity in interior cabin styling.

erformance, and more flexibil-

Another factor influencing

may also be significantly changed in the not too distant future as a result of ambitious plans by some airlines to forge specialist links to expand their route networks. The best example is the plan by British Airways to spend £34m on a 20 per cent stake in the new Sabena World Airlines of Belgium, with a comparable stake being held by KLM of The Nether-

While such inter-airline Scandinavian Airlines has a stake in BA's rival, British Midland of the UK - they have in the past been directed tive business partnerships than to the generation of totally

new techniques of operation. The BA plan, however, now being studied by both the UK's Monopolies Commission and the European Commission, is

designed to create an entirely new hub operation on the mainland Continent, as a

means of generating feeder-

traffic into Brussels interna-

tional airport for onward con-

nections to long- haul routes to other parts of the world.

not only by British Midland in the UK, but also in Brussels by

the Belgian airline, Trans

European Airways (TEA), both of which believe the BA plan to

What remains to be seen is

whether such arrangements

ultimately benefit the consumer, either through the

introduction of a wide range of

new, competitive air services.

at competitive fares, or

whether they will be used

solely to strengthen the posi-tions of individual airlines at

specific hub airports. There are

many airlines on the Continent which will be watching closely

to see what decisions the

Monopolies Commission and

Airport congestion is now

one of the major issues threatening the expansion of all

European eir transport

port Association (lata) has esti-

The International Air Trans-

the EC take in the matter.

through the 1990s.

be anti-competitive.

The deal is being contested

ing European airports, 16 including Heathrow and Gatwick in the UK, Frankfurt in West Germany and Madrid in Spain, will be saturated well unless what it calls "enhancepermit more aircraft movements at those airports - are introduced.

In the UK, British Midland Airways, the second largest operator at Heathrow in terms passenger numbers, is already prevented from expanding its services on domestic trunk routes and from starting new routes to the Continent for which it holds licences, because of a lack of available "slots" – take-off times at Heathrow.

British Midland is currently conducting a campaign to influence the Government, the National Air Traffic Services and the British Airports Authority (BAA) to take measures to improve matters, but is facing some resistance in the light of the availability of the redeveloped Stansted airport in Essex as the natural air transport expansion chamber for

London and the south-east. But serious though airport congestion is, probably the single most important factor now governing businessmen's attitudes to travel on short-hauls especially those making one-day out-and-back trips — is the problem of delays due to

air congestion. lata has estimated that over the past four years, the proportion of flights delayed by more than 15 minutes has almost doubled from around 12 per cent of all flights to close to 25 per cent, and there are fears that this will get worse as the volume of passenger traffic and the numbers of aircraft using the crowded European skies increase, causing yet more con-

gestion. Tackling congestion on the ground at airports and in the air must now rank as the number one priority for the entire European air transport indus-

Unless it is successfully met and overcome, these problems threaten to bring the air transport industry to a near stand-still before the end of this decade, wrecking everything that so many people in the industry have worked so hard for so long to achieve.

mumber, free man.

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Business aircraft owners are worried about policies to limit their use of large airports

'Relievers' are handy but often restricted

BUSINESSMEN who use company aircraft feel they are being handicapped in their tasks. Air traffic is growing, airports are increasingly congested, and corporate aircraft operators are being discour-

aged from using main centres. Pressure is on corporate flyers internationally, and the Business Aircraft Users Association, the industry's interest group in the UK, notes that overcrowded large airports are encouraging business aviation to use smaller, "reliever" airfields to ease demand on run-ways and facilities.

Nowhere is the situation more graphically illustrated than at Heathrow and Gatwick, London's biggest and

busiest airports. Last year, Heathrow handled 369,039 aircraft movements - each landing or take-off is termed a "movement" - of which 17,318 were business flights. That proportion might have been smaller still. Mr Derek Leggett, chief executive of the BAUA, says his association has three times averted a decision to han company air-

BMALL CARIN

Beech Diamond 1A Beechjet 4000

Cessna Citation 2 Cessna Citation S2

Cessna Citation 5

Al Westwind 2

Learjet Model 31

Learjet 36A Learjet Model 25

Dassault Faicon 20

Learjet Model 55B/C

Dassault Falcon 50

GAC Gulfstream 4

TOTAL

TOTAL

TOTAL

MID CABIN

BA6 125-600

IAI 1125 Astra

LARGE CABIN

Learjet Model 35A

Dassault Falcon 100

Citation 1

craft from Heathrow alto-

Airlines come first at Heathrow and Gatwick, business aviation second. That is an official policy and was reaffirmed late last year by Mr Cecil Parkinson, Secretary of State for Transport, in his response to an advice document - CAP 559 - from the Civil Aviation Authority and to representations from the industry.

Mr Leggett's objections to that centre on the importance of corporate aviation to the economy. Aircraft save valuable company time and can function as mobile office space. Even in business class on an airliner, he says, "you can't have a meeting in flight. You can't discuss company affairs." Speed is important, too.

The BAUA has about 50 members, including many of the biggest names in British business. Members operate mainly turboprop aircraft such as the twin-engined Beech King Air and jets such as the BAe 125. "It's all two-man, professional crews," Mr Leggett

BUSINESS JET DELIVERIES 1965-1989

1986

82

18

116

9 12

15

1987

71

68

Professionalism in his mem-bers' crews is an aspect Mr Leggett emphasises with pride. Hand in hand with that professionalism is the elaborate level of equipment aboard BAUA members' aircraft. Inertial navigation and satellite position-ing enable them to fly very precise courses and heights, and landing aids enable them to approach airports safely in bad visibilliv.

Instrument landing system uses radio to relate the pilot's position to that of the runway. Category I ILS permits a pilot to land when the cloudbase is down to 200ft, Category II allows 100ft.

Trusthouse Forte and J. C. Bamford are BAUA members. Both operate BAe 125s with Category II ILS. Not all with Category II IIS. Not an airliners are so well equipped. The snag is that not all airports have any ILS, let alone Category II. That is one of the reasons the association wants to be assured of being able to go on using Heathrow, Gatwick and other big airports worktwide. Another reason is interlin-

5 year Total

465

153 106

337

36 123

98

32+6

73

56

110

General Aircrett Manufacturers

ing changing flights, typically from a company aircraft flown from a small regional airfield in the UK or the Continent, on to a scheduled intercontinental airline. Fast interlining demands that a company aircraft fly into the airport from which the airliner departs.

In the UK, Concorde scheduse only Heathrow. British Airways estimates that Concorde interlining from business aircraft alone is worth

The BAUA says it has three times averted a ban on company aircraft at Heathrow

over £1m annually. Many of the reliever airports that the CAA would encourage the business community to use have no airline services. For all his criticism of the

big airports, Mr Leggett praises what he terms the "flexible" attitude towards his members that he finds at Heathrow. Mr Bill Oatsy, the airport's director of safety and security, sums up the management's ch: "It's Dunlops hitting the runways that make our tills turn." Airlines take priority, but "we are in favour of retaining business aviation at

Heathrow."

At Gatwick, business traffic is falling. Last year Gatwick handled 189,000 aircraft movements, an increase of 5 per cent over 1988. Of those, 7,042 were business flights, 3.7 per cent of the total. In 1988, the

figure was 7,926. In terms of journey times into central London, most of the relievers are at least competitive with Heathrow and Catwick.

At Farnborough, the Ministry of Defence airfield best known for its international air show every two years, Carroll Aircraft, a subsidiary of Carroll Group, a property concern, has this month received planning approval from Rushmore Council for an executive termi-nal and offices which will transform the present group of small hangers and reception

As a developing business aviation centre, its constraint is less the precision approach radar, which permits a military-style ground-controlled talkdown, or the large runway,

which has handled the Soviet ampton's 1,723m runway is Antonov 124 heavy transport, but rather its opening hours: Monday to Friday, and Saturday morning. Mr Joe O'Neill, Carroll Air-

mr Joe C Neill, Carroll Air-craft chief executive, says: "It's one thing to force people out of the major London airports, it's another to provide facilities at reliever airfields. Those facili-ties must include severally availability and full costoms." availability and full customs."

Biggin Hill, in Kent, famous for its RAF role in the Battle of Britain, is managed by Air-ports UK, a subsidiary of BAA (formerly the British Airports Authority), on behalf of the owners. Mr Colin Sewell-Rut-ter, Airports UK managing director, believes Biggin Hill has the potential to be the most important of the London relievers but agrees that until now the airport has lacked the navigational aids that business pilots want.

At 1,815 metres, the main runway can accept most pur-pose-built business jets, but until this month the airport has had no ILS. Its advantages lie in swift customs processing - 12 minutes from leaving the sircraft to entering the car and good public-transport links with central London. No air-lines use Biggin Hill; but the M25 is a quick link with

used extensively by light single and twin-prop types and by air-liners up to the size of the McDonnell Douglas MD83, a airport also hosts Genavco, an executive service company offering facilities from corporate passenger handling to

Southampton's executive lounges – Airports UK's and Genavco's - are functional rather than lavish. Fax. phone, telex and photocopying are available, but the emphasis, as elsewhere, is on speeding the business traveller from aircraft

Olson, Southampton's airport director, observes: "Some for-eign pilots are not used to pre-

fast, but drawbacks remain, and the pressure at the main airports will not go away. Until proper facilities are in place, UK and foreign business travellers will still feel they are working with one sains tied. working with one wing tied behind their back.

Southampton airport. South-David Boggis

eering support for aircraft. It is experienced at main-taining the BAe 125. The BAe 125 is among the bestselling company jets

via customs to limousine as Instead of ILS, the airport has area radar and precision radar for ground-controlled talkdown. Usually the system works well, but Mr Malcolm

cision radar approach."
The relievers are developing

Airports UK also manages

THE DRAGON'S DYNASTY

BRITISH AEROSPACE's BAe 125 executive jet has been a quiet success story for 28 years. It is also typical of the aircraft used by the businessman in a hurry:

The type was designed by De Havilland, now incorporate into BAe, and first flown in 1962 as the Jet Dragon. That name was soon dropped. The aircraft seats about aix

name was soon dropped. The aircraft seats about aix people and is powered by twin, rear-mounted jets.

Currently in production are the Series 800 and 1000 models, the latter announced late last year. Previous models no longer in production sold a total of 473 aircraft. Improvements to the type over the years have seen the original Rolls-Royce Viper turbojets replaced by quieter Garrett and, on the 1000, Prati & Whitney Canada turbofans which have also helped to extend the range flown. The aircraft has become longer and roomler. sircraft has become longer and roomler.

Aerodynamic improvements on the 1000 model include a wing redesigned with the benefit of Airbus technology. With increased fuel, the aircraft can reach New York from London in one leg, or cross the US from coast to coast. Flight instruments, keeping abreast of latest developments in the industry, are electronic. Navigation uses two high-precision instruments: the inertial reference system, which uses accelerometers in three axes, and the global colitioning system, which takes signals from satellites. At present, the 1000 is authorized to use its instrument

At present, me 1000 is authorized to use as instrument landing system — whereby guidance algorale from ground equipment registers on instruments in the alroraft, telling the plict his position relative to the running — in so-called Category I conditions: with a cloud besidown to 200%. BAs le working on getting the aircraft cleared to use Category II
ILS, allowing it to operate with cloud down to 1908.
ILS equipment is used at most big international airports but more rarely among smaller airfields. —DAVID BOGGIS.

An east-west joint venture

Three partners plan prototype

ted with American avionics and based on a Soviet airframe originally designed for a fighter sircraft may sound

But the scenario could become a reality if plans of Gulf Stream Aerospace, the US business aircraft manufacturer, Rolls-Royce, of the UK, and the Sukhoi Design Bureau, previously best-known for its Soviet fighters and bombers, come to fruition.

The three concerns are planning a supersonic business jet for between 16 and 19 passen-gers, capable of landing on standard business airstrips and being maintained by business aircraft personnel, yet also being able to travel at Mach 2.2 - some 7 per cent faster than the Anglo-French supersonic

jet Concorde.

One of the memoranda of understanding between the American and Soviet concerns also specifies that the aircraft should have a range of 5,000 statute miles. Gulf Stream believes that there is a considerable market for such an aircraft if it were to cost about \$50m. It is presently undertak-ing a marketing study to assess the project, and expects to find that its original estimates of a potential market of about 50-60 jets is a conserva-

The company says that originally it believed the \$1bn project would take about 10 years to complete. However, the Soviets are far more ambitious. They envisage being able to fly three or four prototypes by 1993, and actually marketing the aircraft in five years.

Mr Alvin F.Balabam, direc-

tor of corporate communica-tions at Gulf Stream, says that, although the American com-pany was initially sceptical of the Soviets' time-scale, once its employees had visited the Soviet Union it came to believe that it was achievable.

The Soviet design team cer-

tainly appears keen on the enterprise. After meeting for the first time, at the Paris Air

THE IDEA of capitalists flying Show last year, Mr Allen Paulbetween business meetings at supersonic speeds in a jet powered with British engines, fit-and Mr Mikhall Simonov, genand Mr Mikhail Simonov, general designer at the Sukhot Design Bureau, signed their first memorandum of under-

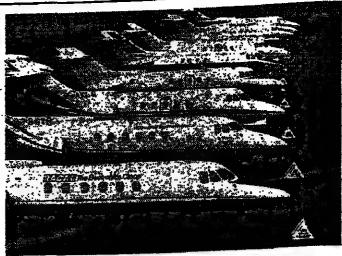
standing within 72 hours.

The idea behind the project is that the Soviets should provide the airframe, the British the engines and the Americans. the avionics and marketing

Mr Balabam believes that Rolls-Royce should be able to produce a quiet-enough engine within the necessary time-scale, while the Soviets' design should be able to overcome the problems of sonic boom that so

dogged Concorde.
Rolls-Royce, however, is not quite so confident. In a recent interview, Mr Phil Ruffles, technical director at the British company, said that a production engine would probably not be ready until the end of the decade. The prototype would probably have to be powered by Soviet engines. If the design of a small business jet proves possible, there are plans to design a stretch version for about 50 passen-

Paul Abrahams



THE CORPORATE JET

Flexible and comfortable

A LARGE number of businessmen find even first-class or Concorde air travel a hassle in these days of increas ingly congested airports, air-traffic control delays and at times difficult road access in and out of airports. Many have therefore turned to business jets, either directly owning or leasing private aircraft.

The corporate jet offers the flexibility required by business executives, as well as the comforts of a flying gia palace. Although the market for these aircraft has gone through a sticky patch following the last oil shock, it has shown signs of recovery after a long period of stagnation.

In part, the recovery reflects the preference of a growing number of businessmen to turn to small corporate jets rather than depend on schedule air-line services. But the buoyant business climate of the last few years has been largely respon-sible for the pick-up of the pri-vate jet aircraft market.

Business jet manufacturers warn that there are now begin-ning to be some clouds on the horizon A downturn in US exnomic activity risks having nomic activity ricks having repercissions on the market in the short term. But in the longer run, the major worry of business jot manufacturers and operators is the threat of restrictions of airport access to business aircraft users.

Many civil aviation and airport authorities, especially in Europe, are now considering imposing bens on small corporate aircraft at some big crowded airports like, for

rate all crast as some mag-crowded airports like, for example London Healthow to relieve some of the congestion at these surports Aiready landhave been increased at some airports, as part of the concerted action to tackle the airport congestion problem.

The strongest part of the conporate jet market is that for middle-size aircraft, such as the British Acroprace RAe 125. * Sircraft

middle-size aircraft, such as the British Aerospace BAs 125, the Cessna Citation III, the Dassault Falcon 20, the IAI 1125 Astra and the Learjet Model 55B/C. Total deliveries in this section of the market rose to 73 aircraft last year from 56 in 1988. The small end of the corporate jet market also showed a small rise last year with deliveries rising to 99 from 97 aircraft in 1988. from 97 sircraft in 1988

However, the top end of the market has suffered as industry in general has become leaner, and corporate users have preferred to opt for mid-dicaze aircraft, rather than large cabin jets. The market for larger jets — including the Canadair Challenger 601, the Dassault Falcon 50 and Falcon 900, the GAC Gulfstream 3 and 4 - saw total deliveries fall to

86 aircraft last year, from 110 the previous year.

In the medium-sized corporate jet market, BAe unveiled last year a new derivative of its long established and successful BAe 125 family of corporate jet aircraft. The new aircraft is called the BAe 1000, and the UK group claims it is the first medium-sized twin engined business jet able to carry six passengers more than 3,200 nautical miles, giving it transatlantic and intercontinental capability. The company describes it as " a long-range aircraft with a medium-range price tag".

Corporate aircraft makers are also increasingly looking at new markets for their jets. BAe, for example, says there is growing interest from regional operators and military custom-ers for its BAe 126 family. The US air force have bought six BAe 125-800s for electronic flight surveillance operations. and the Japanese air force intends to use three BAe 125-800s for similar purposes. Japan, which has been a poor market for business jets, because of access problems for small aircraft at busy Japanese airports, is understood to have an overall need of about 70 small jets for military and coast guard applications.

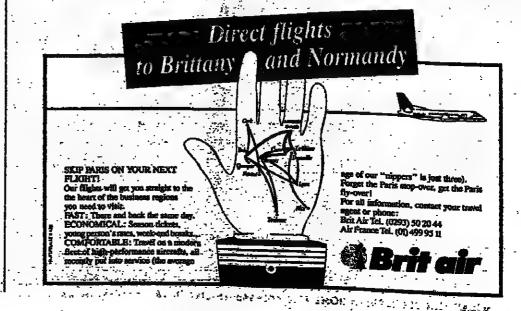
At the same time, Japan is now showing interest in partic-ipating in the development of second generation supersonic aircraft. Of particular attrac-tion to the Japanese and south-east Asian market is a supersonic business jet with a range of around 6,000 nautical miles, which could fly businesamen in record time across Soviet Union is also working on a supersonic business jet concept, with Gulfstream of the US and Rolls-Royce of the

UK on the engine side. However, the days of a supersonic business jet are still a long way off. Although studies have now begun, the industry agrees that a new generation of supersonic air-craft is unlikely to emerge until well into the next century. But corporate jet manufacturers also believe that there is a real need for a new supersonic business aircraft, especially if no successor to Concorde is built by the large airframs makers.

"We are continuously looking at supersonic, and we believe there is a need for a large business supersonic jet," says a senior executive at BAe's corporate aircraft divi-sion. But he also concedes that the studies are still only at a very preliminary phase.

Paul Beth





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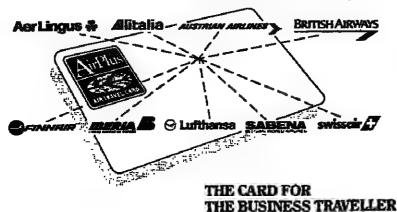
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The market for civil helicopters is improving, as more...

Rise above the hassle

increasing, and rail travel often uncomfortable, unreliable and increasingly expensive, many businessmen are turning to the helicopter as a means of moving around quickly and conveniently.

The Civil Aviation Authority reports that the number of civil helicopters on the UK register currently stands at nearly 860, compared with 820 last October, 674 in January last year, and 582 at end-1987. Although not all of those machines are in active service, the steady increase in numbers clearly indicates a growing desire on the part of more and more people to save time and money through ease of mobil-ity in conducting their affairs.

This trend is not just occur-ring in the UK, but on the Continent and in the US too. Over-all, the world market for civil helicopters appears to be improving. At the Heli Expo QO event in Dallas earlier this year, industry experts were forecasting world civil helicop-ter sales over the next decade of some 5,100 aircraft, out of total sales (including military) of some 10,000 aircraft. The civil figure was some 17 per cent above the previous year's forecast of only 4,500 aircraft. By far the biggest proportion of that market is expected to con-tinue to be in the light single and twin-engined types, which are the cheapest to buy and to

helicopter - its ability to land and take off from virtually any small, flat area, either in car parks, flelds or the roofs of buildings, for example, apart from specifically constructed helipads and heliports – ensures that much of the hassle in everyday communications is removed. And the smaller the aircraft, the easier such mobility becomes.

Businessmen can use helicopters in a variety of ways. Companies can either buy aircraft outright, and employ professional pilots to undertake the flying, or charter aircraft from any of the many organisations engaged in the rotary-winged business. This is usually the case with the larger types of aircraft, where it is necessary to transport several executives around at the same time, but there is an increasing number of businessmen who prefer to use smaller aircraft, and to fly themselves, finding

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An Aerospatiale Twin Squirrel, of Aeromega Helicopters

it a relaxation from the normal strains of driving on increasingly congested roads. Contrary to some opinions, it

is neither difficult nor expen-sive to learn to fly a helicopter, and the longer-term benefits of the easier mobility thus gained far outweighs both the initial investment in training and aircraft procurement, and subse-

quent operational costs.

The British Helicopter Advisory Board, established some time ago to promote the use of helicopters and to communicate with government and other authorities on all matters

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relating to helicopter activities, lists among its members not only helicopter manufacturers but also a large number of companies specialising in the maintainance, operation and leasing of aircraft, and in helicopter flying training, as well as many private owners, com-panies and other organisations which have discovered the ben-

efits of rotary-winged flight. The BHAB also lists in its regularly updated handbook an invaluable document for any businessman interested in rotary- winged flight - the surprisingly large number of

BHAB member heliports and helipads throughout the country, including those for which prior permission to land is

required.

A wide range of types of aircraft is available on the UK register, either for hire or for purchase. Prices vary widely according to size of aircraft, but the smallest and cheapes and also individually one of the most popular aircraft - is the US-built Robinson R-22 Beta single piston-engined twoseater, with a speed of just over 100mph and a range of up to 360 statute miles. Another popular type is the four-to-five seat single-turbine powered Bell Jet Ranger, with a speed of up to 150mph and a range of

Larger single-turbine engined types available include the five-to-six seat French Aérospatiale Squirrel, with a speed of 150mph and a range of

These types are popular not only because of their small size and good range and payload performances, but also because they are environmentally suit-

aroused hostility in the past, and is still today probably the most important single factor mitigating against much more widespread use of such aircraft, by both businessmen and

The BHAB has therefore also oduced a code of conduct, to which all its members adhere. designed not only to ensure safety in rotary-winged operations but also to show an increasingly environmentally-conscious public that helicopter operators are aware of the need to preserve the environment from unnecessary noise

The BHAB's view is that the whole helicopter industry must demonstrate a responsible and co-operative attitude to this sitco-operative attitude to this au-uation, and insists that this can best be done by observing the code of conduct at all times, but particularly in con-

Michael Donne

Further information on all aspects of helicopter operations can be obtained from the BHAB, Building C2, West Entrance, Fairoaks Airport, Chobham, Woking, Surrey, GU24 8HX.



LONDON CITY AIRPORT

A longer runway is crucial

LONDON City Airport has steadily built up over the past two years a growing number of devotees who find flying on short business hops to Paris, Brussels or Amsterdam infinitely more agreeable from the new Docklands airstrip than from the crowded congested atmosphere of Heathrow or Gatwick.

The airport has pioneered a new style of business air travel. The building looks more like a comfortable modern hotel than an airport terminal. It never seems crowded. Check-in, customs and security formalities are quick and painless. The restaurant serves good food and has a lovely view over the airfield sur-rounded by water where on a clear day people often water ski.

The flights on the small four engine turboprop De Havilland Dash 7 short take-off and landing (stol) passenger aircraft also offer a more intimate and uncrowded service than on the larger conventional jets. All the airlines operating with the Dash 7 out of London City

have made big efforts to offer passengers all the comforts expected by business travel-lers, ranging from a good stock of newspapers, a snack and a wide variety of complementary alcoholic or non-alcoholic drinks. Because the sircraft are small, boarding and disembark-

ing are both swift and easy.

The airport and the flights in and out of London City was built with the businessman in built with the businessman in mind. The idea was to provide the City of London with an airport within easy reach by boat, car or rail. But in spite of its undoubted attractions and novel travelling concept, the airport, which last winter celebrated its second anniversary, and is structing to make ends. and is struggling to make ends

The next few months are likely to be crucial for London City Airport, which is awaiting anxiously the outcome of a public inquiry into a 27m pro-posal to extend the airport's runway. The long term finan-cial viability of the airport hinges on the runway exten-sion plan.

At present only the small hash 7 can operate out of Lon-don City Airport. This limits the range of destinations the airport can serve. However, if London City receives the go-shead to extend the runway, go shead to extend the runway, other commutar and regional aircraft will be able to operate out of the airport including the BAe 148 jet, the Fokker 50, the De Havilland Dash 8, the Saab 340, among others. The airport owners the John Mowlem construction group, is especially anxious to see the BAe 146 four engine, let operate out of Longuery of the communication of the control of Longuery of the communication of the control of Longuery of the communication of the control of Longuery of the communication of th

engine jet operate out of London City because the aircraft is noise friendly; it has been dubbed "the whisper jet", and has short take-off and landing combilities. canabilities.
Increasing the length of the runway would greatly expand the range of destinations served by London City. This would attract more airlines, especially national carriers. Many large airlines have in fact adopted a "wait and see" attitude and have been reluc-tant to consider committing

themselves to opening new services until they can be assured of the sirpost's future.

The problems of extending the runway has become all the more pronounced since Boeing's decision to halt produc-tion of the De Havilland Dash 7, the only singuist at present allowed to fly into London City

airport.

The planning inquiry on the runway extension is due to start in July and the sirport owners hope a decision will be finally taken in spring 1991. If the extension is approved by them, the expanded airport could be operated from the beginning of 1992. This would coincide with the timetable for the Expander Single Meyler. the European Single Market,

which is expected to boost demand for short haul airline services between London and leading business centres on the

London City has lobbled the local community hard, sending leaflets and organising polls showing favourable reaction to the introduction of BAe 146 flights out of the Dockland airstrip. The airport has also creamised an exhibition in the organised an exhibition in the terminal lobby to explain its development plans and the need for the runway extension. This is all part of its efforts to expand public awareness about London City.

Another handicap has been access from the City to the airport. Construction and road works in the Dockland area can often provoke long delays. Indeed, as long as it takes more than 15 minutes by taxi to reach the airport from the City, it cannot take full advantage of one of its main attractions to business people. At the same time, while the Riverbus service provides an efficient and rapid way to reach the City, boats operate only at hourty intervals.

However, access to the airport is expected to improve in time. The big question is the need to extend the runway to expand the range of aircraft operating out of the airport. is Landon City whis it planning application for the runway extension, it will con-tinue to lose money and its future will remain in doubt even though passenger traffic has been building up steadily with between 5,500-6,000 busi-ness travellers now using the

Trends in technology will soon make it easier to...

Ring the office from the air

SALES OF Robert Ludlum novels - those old stand-bys for tedious and time-consum-ing long-haul flights — may be about to take a dip, if market research on the future of aero-nautical satellite communications is correct. New second-generation satel-

071-623 4294 lite technology, due to be launched this October, should mean that businessmen on aircraft around the world will instead be able to fax, telex, talk to their offices and even download data from their portable computers while in the

At present, two voice systems based on VHF are already available in the US. However, the technology behind these services, which have been running about five years, has some serious limita-

In the first place, the equip-ment on the aircraft is limited in its range to the line of sight nearest ground stations - a maximum of about 200 miles. This also means that the ser-vice is not available over the ocean. In addition, there is no means of handing over from ground station to ground station, which results in fre-quently interrupted calls.

Finally, the quality of sound on the system is lamentable. Terrestrial communications' effectiveness is limited because the electrical properties of the short-wave radio band are affected by sunspots and solar flares. This means that applications are essentially limited to voice communications. The integrity of any data sent by these methods would be dubi-

However, new technology being offered by Inmarsat, the international agency operating satellite services for the world's merchant ships, should mean that such limitations become a thing of the past.

The company is launching six satellites during the 1990s, which should completely change the market, according to Mr Fintan Ryan, head of applications development of the aeronautical division of Inmarsat. He argues that, although terrestrial systems have been successful, they have been held up by problems

have been held up by problems of quality.

"The quality of the satellite communications is excellent," explains Mr Ryan. "You wouldn't notice the difference in quality between a call made in the air and one made in the

The satellite system is com-

At present, the BA scheme has only four channels, but once Inmarsat launches the

first of the second generation satellites this October, using the Delia platform, as many as 32 channels will be available. Eventually, the six new satellites should provide complete coverage of the globe except beyond 80 deg north and 80 deg

from each seat in first and club

class. The caller will be also be able to provide a limit on the cost of the call before it is

made, in case he or she is wor-

ried about spending too much

Three consortia have been

Racal Electronics believes that within two years passengers will be able to make calls from each seat in first and club class

pletely digital, which improves the sound quality, explains Mr Ryan. In addition, each call is tagged so that, when possible, the communication passes from the satellite to the ground station, and then to the ultimate destination via ground links. It takes a quarter of a second from the satellite to the ground station, and this proce-dure prevents a double delay.

At present, the company is running combined trials with British Telecom, British Air-ways and Racal Electronics on trans-Atlantic flights since February last year. The passenger moves to the front of the aircraft to the telephones and swipes a credit card through a reader for veri-fication. He or she is then able

to call out to most countries using the standard interna-tional telephone codes. A bill is then sent to the customer in the normal way via the credit card customer. Racal Electronics believe: that within two years passen-gers will be able to make calls set up to provide seronautical satellite communication services. These are Skyphone, which is backed by British Telecom, Norwegian Telecom and Singapore Telecom; Société Internationale de Télécommunications Aeronautiques (Sita), financed by France Télécom, Telegiobe Canada and OTC of Australia; and Comsat of the US.

There are two main markets for the aeronautical satellite communications. The first is the private corporate jets sec-tor. Inmarsat expects to have 30 corporate customers by the end of the year.

The second sector consists of the airlines. Inmarsat believes

that airlines should have plenty of reasons for investing in such systems, despite the high cost of installation. The avionics necessary range from about \$250,000 to \$500,000. Racal Electronics argues

that aeronautical satellite communications could generate considerable revenue for the airline as well as provide added

value to carriers' business and first ciass services.

The airlines will also be able to link up the telephones with selected hotels, car rental companies and other services, so the executives can call ahead to them, generating further. revenue for the carrier. The airline also receives about 40 per cent of the call charge. At present, BA is charging about One final advantage for the

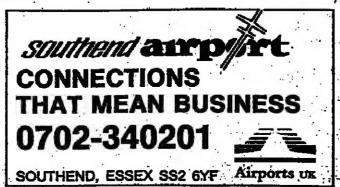
airline, once the system is installed, is that it can benefit from the technology by providing real-time information on the aircraft's engines and per-formance, its position and speed. Air traffic controllers or the airline's headquarters could then instruct the pilot or engineer of any adjustments that might be necessary.

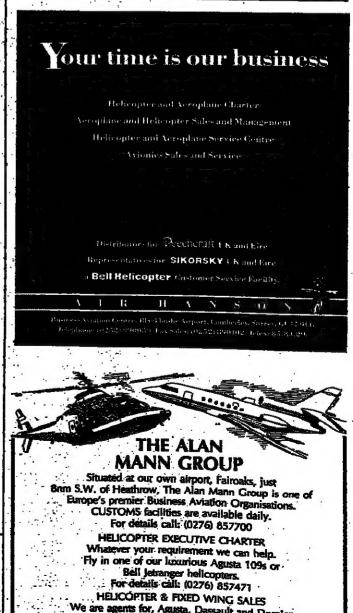
The systems might therefore help our jet-setting, telephone wielding, portable computer operating executives to arrive on time. The technology could be used to provide air-traffic controllers with the exact location of the sircraft in areas age. This would allow them to reduce the separation between aircraft, which in some cases is as much as 60 miles.

Immarsat expects the take-up by the airlines to be similar to that in the shipping sector. It now has more than 10,000 users, compared with 3,000 three years ago. Airbus esti-mates that the world fleet, excluding the Soviet Union and China, consists of about 7,397 aircraft and should grow to about 13,000 by the year 2008. Multiply that by the cost of the avionics necessary for aeronautical satellite communications, and it becomes clear that the potential market for both hardware and services is not incon-

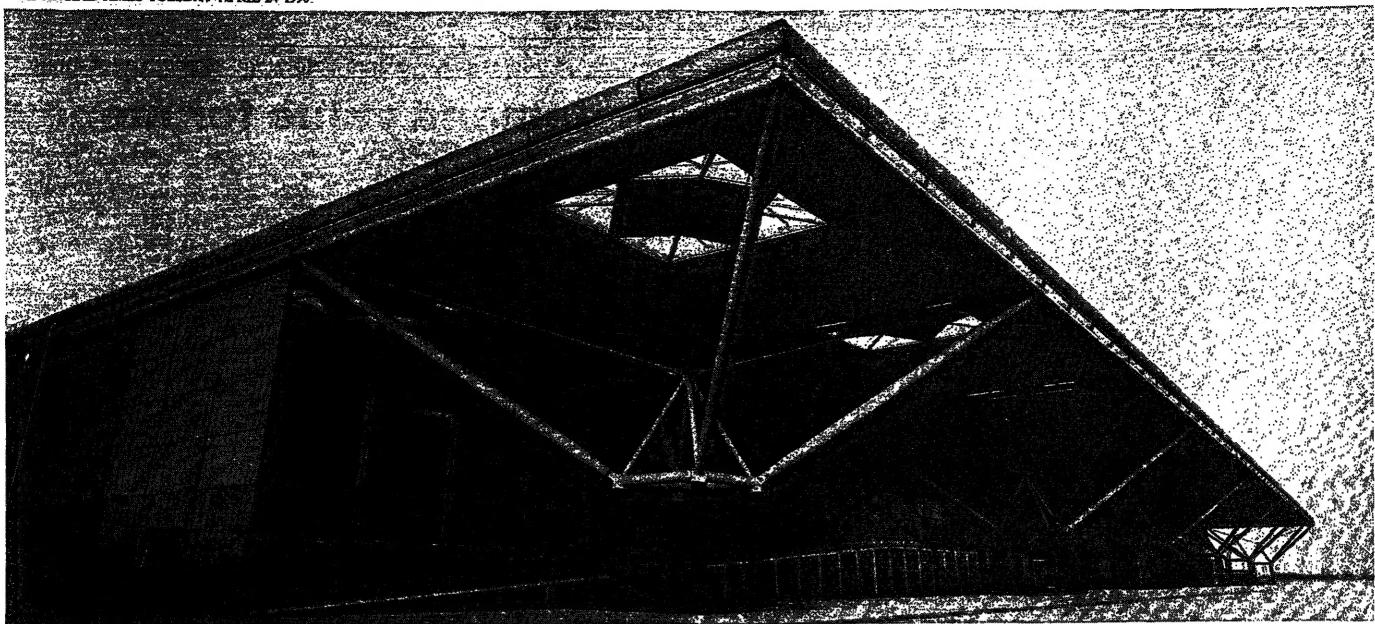
Paul Abrahams











London's third airport will be second to none.

The new terminal complex at Stansted will open in March of 1991. 10 years and £400,000,000 in the making it is just part of BAA's £2 billion investment programme.

When you enter the terminal next year you will be struck by the simplicity of the Norman Foster design.

Everything you need is on one level.

Departures are on the left, arrivals on the right.
You will simply move in a straight line from the
front of the building through check-in, security and
passport control to the departure lounge at the back.

Stansted is ideally located just a short drive off the M11 and the M25. By train, it will take just 40 minutes on the direct rail link from Liverpool Street.

Nothing could be easier. But then making life easier for the passenger is what BAA is all about, and that takes careful planning.

BAA's forecasting team have consistently predicted passenger demand with unrivalled accuracy.

This expertise was behind the opening of the North Terminal at Gatwick, the new Terminal 4 at Heathrow and the rebuilding of Terminal 3 to give far greater comfort than before.

We are also planning the Heathrow Express rail link which will take just 16 minutes from Paddington.

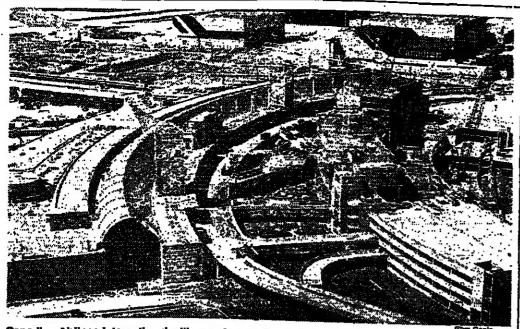
With this policy of constant development and improvement, it's clear that with Heathrow, Gatwick and Stansted, London will not just lead Paris, Frankfurt and Amsterdam – our position as the number one international airport group in the world will be in no doubt.

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Canadian Airlines International will operate services to Europe, the Par East, Australasia and South America, as well as to destinations in the US and Canada, from the new 2300m Terminal Three, at Toronto's Pearson International Airport, which is due to open in September. The terminal is expected to handle 10m passengers in the first year

UK SHUTTLE SERVICES

Rivalries intensify

AS BOTH business and leisure travel throughout the UK have grown steadily in recent years, so has the rivalry between airlines for a share of the "shuttle" market.

British Airways, which used to so dominate domestic routes that its Shuttle service has become established as the generic name for domestic air travel, has increasingly in recent years faced stiff competition. Rivals who have devel-

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BA has at least 50 per cent of the overall UK domestic market with some 200 flights a day carrying 5.5m passengers. Brit-ish Midland carries about half this figure.

BA was eventually forced last September to re-launch its domestic service with a £11m face-lift to its Shuttle flights to Edinburgh, Glasgow, Belfast,

and Manchester out of London Heathrow. UK markets include British Midland, Air UK, and Dan Air. meant that free meals and

drinks are now provided on all flights instead of the previous rather miserly catering. This was forced on BA by the popularity of British Midland's Diamond Service flights which managed to serve comprehensive meals on even short trips. BA's decision to change its

catering services in-flight was in line with the move away from the pure Shuttle service of the past when passengers simply turned up and took off — but were guaranteed to get away on a back-up flight if the first flight was full. This was a guarantee that cost the airline £5,000 per hour to keep. BA has now effectively cre-

ated two types of shuttle service: higher-priced executive fares which gives most flexibility on flights and keeps the standby guarantee; and dis-count fares for passengers who can book ahead and are not on so rigid a schedule that they cannot fly off-peak.

The system, however, does not always work. "Feedback from some clients indicates that the offer of back-up aircraft does not always happen." says Mr Colin Rainbow, com-mercial director of Pickfords

Business Travel. Self-ticketing machines called 'TimeSaver' have also been introduced by BA at Heathrow to enable frequent flyers to buy their ticket and book their seat at the airport just 15 to 20 minutes before the flight. To use this machine, however, a special card has to

be obtained. Only TimeSaver cardholders. moreover, qualify for certain off-peak fares available - which potentially can achieve savings of 20 per cent of the full fare.

The pricing structure on The pricing structure on domestic routes is so complex, therefore, that many travellers fail to get the best bargain and the airlines have been criticised for not simplifying fares.

BA, however, is pleased with the Shuttle re-launch, as route traffic is up by 10 per cent in the first quarter of this year in comparison with 1989.

David Churchill

Roderick Oram on restive US business fliers and, below, the executive jet market

Travellers demand value for money

AMERICAN executives are travelling more than ever before but they are growing increasingly restive about escalating airfares and crowded airports.

They are also feeling resentful that money from special levies are piling up in govern-ment accounts rather than being spent as intended on new

"Quite honestly, I expect to ee a Boston tea party over this taxation without represen-tation," said Ms Margie Crace, president of the National Busi-Travel Association (NBTA) and travel manager for Chemed, a Cincinnati com-

pany.

Most of the anger is directed at the 8 per cent levy - soon to rise to 10 per cent - on all tickets which flows into the federal government's Airport and Airways Trust Fund. Rather than spend it, Washington is shuffling the funds's billions of dollars around the federal budget to help reduce the deficit.
"Business travellers make a

big contribution to the economy. They have the right to better facilities which the fund should finance," Ms Crace said. The need to upgrade US airports and air traffic control is ever more pressing. Total pas-senger miles on US airlines rose 2 per cent last year to a record 430bn miles. Business fliers accounted for 51 per cent of the total, up from 50 per cent in 1988.

Companies are putting more personnel on the road, according to recent results from the annual survey of Illinois-based Runzheimer International, management consultants for travel and living costs. The average number of fre-

quent travellers in each com-

pany surveyed rose 12 per cent ness. More nationwide chains last year to 727. Their average are forming to compete with number of days on the road increased to 57 from 48 a year earlier, surpassing peak levels of the early 1980s.

The increase came in spite of rising autares. From the first quarter of 1988 to the last quarter of 1989, the average domestic airfare rose 25 per cent from \$356 to \$447. In the same period international fares rose 23 per cent from \$1,604 to \$1,904, Runzheimer sald.

Rising prices fueled two trends. First. big companies are negotiating harder than ever with airlines for specially discounted fares; more small companies are trying to achieve similar savings by shifting their business to outside travel managers or travel

The second trend has in turn increased the pressure for con-solidation in the travel busiare forming to compete with established players such as American Express. Thomas Cook Travel Inc., for example, bought two north-eastern US travel chains last December.

Companies spending more than \$30m a year on airfares negotiate discounts on some 36 per cent of their tickets, according to a recent survey of 500 companies by Topaz Enterprise. The average price of a discounted ticket was a slender \$129, compared with \$188 for a normal advanced purchase fare, \$545 for coach class and \$663 for first class.

tackle rising fares is to demand that employees hand over the "frequent flier" miles they accumulate on company business. Employees usually treated them as a perk with, for example, 20,000 miles of travel entitling them to a free

round trip ticket in the US which they use typically for holiday or personal reasons. Now some companies are insisting they turn them into tickets for corporate use.

Another handy application of frequent flier awards is for travellers to upgrade from coach to first-class. Alternatively, members of many fre-quent flier clubs can buy books of upgrade coupons which typically work out at between \$15 and \$45 per flight.

Such mechanisms make domestic US flight remarkably egalitarian. A first class passenger is paying only a little more for the privilege but then the improvement in service or Another way companies comfort over coach class is minimal compared with busi-ness class on international flights Moreover, narrow-bod-ied aircraft often have only a dozen or so first class seats on domestic flights.

Airlines are beginning to wonder if there might be scope to introduce a business class on domestic flights and to significantly improve first class.
American Airlines, for
instance, is undertaking extensive market research on the subject but implementation of any such idea could be at least

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a year away.

A virtually complete smoking ban imposed by the governing ban imposed by the government. ment on domestic US flights earlier this year is one factor which is giving airlines more room for revamping their seating plans, said Ms Mary O'Neill a spokeswoman for American Airlines.

Worse than the crowding inside aircraft are the tight conditions in airports and air-space. The number of flights delayed is increasing slowly as traffic rises. Denver is planriaffic rises. Denver is planting to get a new airport off the drawing board this decade but it will be the first significant new US airport since Dallas-Fort Worth nearly 20 years

US business travellers are also growing increasingly active in lobbying for better conditions and service abroad. issues in Europe, for example, include the need to upgrade air traffic control and computer reservation systems and to improve airline competition, said Mr Jack Witherspoon, chairman of both the NBTA in the US and the International Business Travel Association. which groups together national organisations from some dozen countries.

With corporate customers relying ever more on air travel as a business tool, airlines can expect more pressure to improve services and hold the line on fares, travel industry

US airport capacity limitations



High prices fail to dampen outlook

IT IS not quite a return to the heady days of the late 1970s for the US executive jet market, but manufacturers are enjoy-ing the most favourable conditions in a decade and are forecasting further modest but

steady growth.
All the factors of economy and convenience that have long favoured travel by corporate jets over scheduled carriers are now as valid as they have ever been. Airlines' fares are rising and congestion is getting worse in their hub and spoke route networks.

"Airline deregulation was the greatest favour anyone could do for business aviation," said Mr Henry Ogrodzinski, director of communica-tions of the General Aviation Manufacturers Association (Gams). The resulting hub and spoke networks "are terribly efficient for airlines but terribly inefficient for travellers."

Gama has a long list of typi-cal domestic journeys which are time consuming on scheduled airlines but speedy by pri-vate aircraft. One of its favourite examples is a round trip from Wichita, Kansas, to Rochester, Minnesota. The time is 14 hours by scheduled airline versus three-and-a-half

by private jet.

As the US's long period of economic growth through the

1980s began to make it easier for companies to justify the cost of using corporate aircraft, sales of new equipment picked up significantly. Deliveries of US-made business jets jumped from 122 in both 1986 and 1987 to 157 in both 1988 and 1989. It

was still a far cry, though, from the peak of 282 in 1979. Still, it was a welcome fillip for both domestic and foreign manufacturers and the trend looks favourable for the medium-term. The Federal Aviation Administration is forecasting that the business jet fleet will rise from 4,240 aircraft last year to 6,620 by 2001, implying delivery of some 200 aircraft a

Makers are also enthusiastic Pacific Rim and from Europe as western Europe unifies and eastern Europe liberalises. Besides these influences on demand, two additional factors are a shrinking supply of good, little used second-hand aircraft and an ageing fleet. The average age of US registered business jets is 14 years and the average for the oldest 25 per

cent is 20 years. The more buoyant mood among manufacturers was evident at the industry's annual convention last October. Six new or revamped models were displayed, many of them attracting a rush of orders. The small to medium seg-ment of the market is attracting a lot of interest because of the potential economies air-craft of this size should offer. British Aerospace, for example,

has high hopes for its 1000 which will be the first mid-sized jet canable of flying nonstop from the eastern US to Europe. It is due to make its maiden flight shortly with first deliveries in the US in the autumn of next year. BAe, which has yet to gear up its US marketing effort for the aircraft, will be pointing

out to potential owners that they could afford two 1000s at about \$11m a piece rather than one \$25m Gulfstream IV or Faljets. Two aircraft for the price of one means considerable operational flexibility, said Mr Kenneth Spinney, vice president marketing, corporate aviation, at BAe's US subsidiary.

As bullish as the manufac-turers are, though, the aircraft operators keep reminding them of an uncomfortable truth; the price tag on a new business jet today is roughly five times the price 10 years ago for essentially a similar sircraft. Worse, in 1985 companies lost the investment tax credit that gave them a financial break on owning aircraft.

ing increasing efficiency and technological sophistication.

technological sophistication. Unfortunately the designs of many current models are getting long in the tooth and are as about as highly developed as they can get. Any big leap forward is unlikely before the mid-1990s, analysts say.

The most daring project is the development of a simer-sonic business jet by Gulf-stream of the US- and the Sukhot aircraft design bureau of the Soviet Union. They have yet to establish the configuration but it is likely be a 10 to 12 tion but it is likely be a 10 to 12 passenger alreraft with a range of some 5,080 miles at Mach 2 to 2.2 at 55,090ft-60,000ft. Sukhoi will design and build

equip them.

In spite of the huge technological and financial hurdles, Mr Allen Paulson, Gulfstream's owner, is convinced the aircraft will get off the drawing

To take matters more into his own hands he recently bought back Gulfstream from Chrysler for \$825m. He had sold it to the car company in 1985 for \$637m and run it for them in the interim.

In the other main corporate change this year, Learlet was recently sold to Bombardier of

Canada after a short period

under the ownership of Integrated Resources, a New York financial services company which went bankrupt in Febru-

Learjet's range of smaller business jets will complement the wide-bodied executive jets made by Bombardier's Chal-lenger division. With demand for business

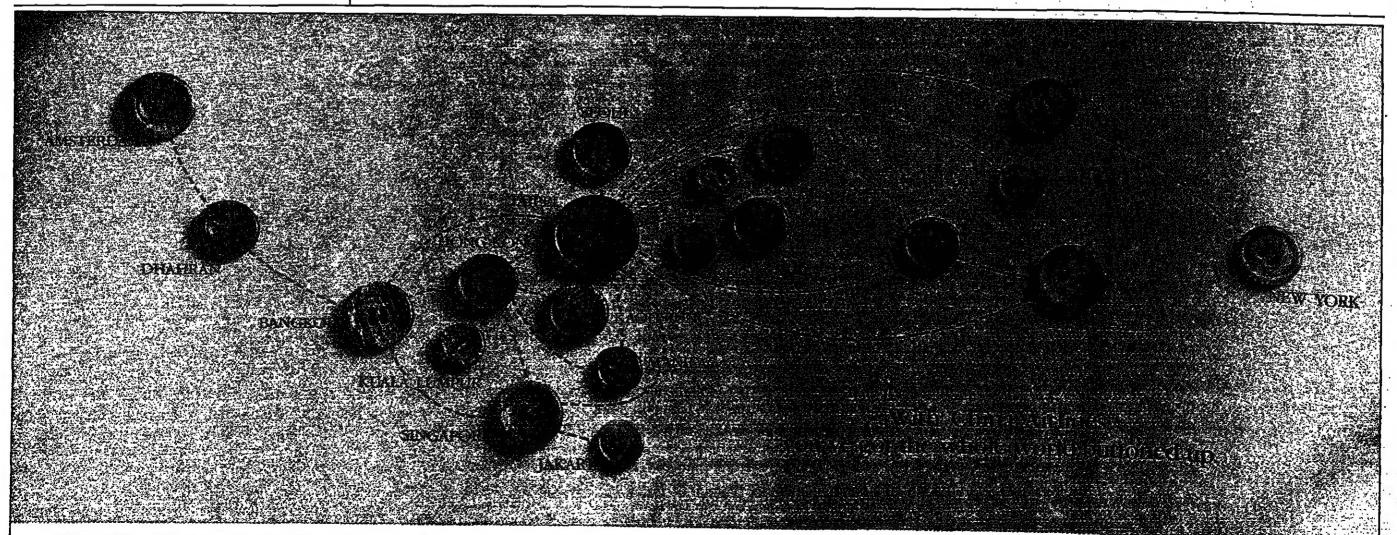
jets increasing, operators are lighting harder than ever for their share of airspace and air-ports. The National Business Aircraft Association has to lobby constantly on a wide range of issues, said Mr Jona-

than Howe, its president. Typical are attempts by some crowded airports to exclude general aviation airleast charge them high fees to discourage them. The associa-tion spent \$500,000 just to fight

such a plan in Boston. There are solutions, though Satellite airports continue to develop with Atlanta, for example, having 12 ringing the city. The US military is also allowing general aviation air-craft to use some 160 non-strategic airbases across the coun-

ter Berita

Just as manufactures are scrambling for their share of a modest pie, so aircraft users are having to fight hard for economic access to facilities.



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